THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF IN DOUBT, PLEASE SEEK PROFESSIONAL ADVICE.

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution licensed to deal in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your units in **Hui Xian REIT**, you should at once hand this circular, together with the accompanying form of proxy, to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

The Securities and Futures Commission of Hong Kong, Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

This circular is for information purposes only and does not constitute an offer or invitation to subscribe for or purchase any securities, nor is it calculated to invite any such offer and invitation.

HUI XIAN REIT
匯賢產業信託

Hui Xian Real Estate Investment Trust

(a Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong))

(Stock Code: 87001)

Managed by: Hui Xian Asset Management Limited
滙賢房託管理有限公司

(1) CONNECTED PARTY TRANSACTIONS RELATING TO THE PROPOSED ACQUISITION OF THE CHONGQING PROPERTY
(2) CERTAIN CONTINUING CONNECTED PARTY TRANSACTIONS
(3) POSSIBLE ISSUANCE OF MANAGER ACQUISITION FEE UNITS
AND
(4) NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial adviser to the REIT Manager

citi

Citigroup Global Markets Asia Limited

Independent Financial Adviser to the Independent Board Committee, the Independent Unitholders and the Trustee

SOMERLEY CAPITAL LIMITED

A letter from the Board is set out on pages 20 to 87 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Unitholders is set out on pages 88 to 89 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee, the Independent Unitholders and the Trustee is set out on pages 90 to 124 of this circular.

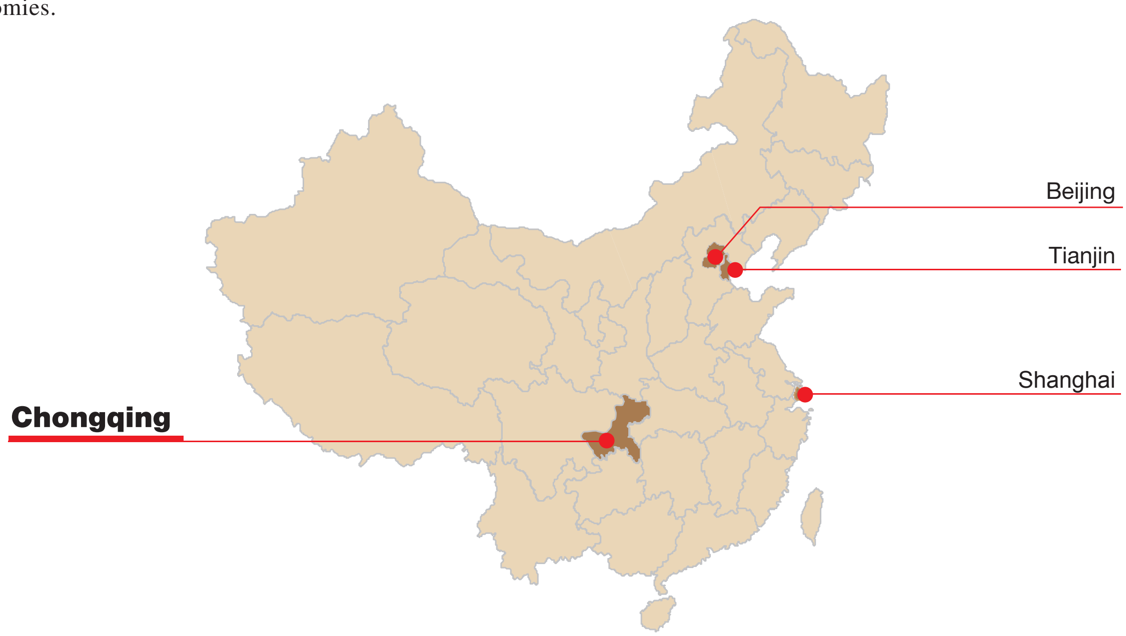
A notice convening the EGM of Hui Xian REIT to be held at Grand Ballroom, 3/F, Sheraton Hong Kong Hotel & Towers, 20 Nathan Road, Kowloon, Hong Kong on Friday, 28 November 2014 at 12:00 noon is set out on pages N-1 to N-3 of this circular. Whether or not you are able to attend and vote at the EGM in person, please complete and return the accompanying form of proxy to the Unit Registrar of Hui Xian REIT, Computershare Hong Kong Investor Services Limited, of 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

10 November 2014

Hui Xian REIT proposes to acquire the entire interest in "Metropolitan Plaza", an integrated commercial property development comprising a shopping mall and an office building through the acquisition of the Target Company. Metropolitan Plaza is located at the Jiefangbei (解放碑) Central Business District of Chongqing. The table below sets out a summary of selected information on the property.

Location	Jiefangbei Central Business District, No.68 Zou Rong Road, Yuzhong District, Chongqing, The People's Republic of China	
Gross Floor Area (approximate)	Shopping Mall: Office Building: Total:	109,743 sq. m. (area inclusive of 353 car park spaces) 54,617 sq. m. 164,360 sq. m.
Occupancy Rate (as at 31 August 2014)	Shopping Mall (excluding car park spaces): Office Building:	approximately 92.5% approximately 97.3%
Appraised Value	RMB 4,104 million	
Attributable Value	RMB 3,910 million	

Chongqing is one of the four direct-controlled municipalities, and a critical transportation and industrial hub in inland parts of China. As the most populous and largest city by area in China, Chongqing is one of the country's fastest growing local economies.



BEIJING ORIENTAL PLAZA

CHONGQING METROPOLITAN PLAZA

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Hui Xian REIT	A collective investment scheme constituted as a unit trust and authorised under section 104 of the SFO
REIT Manager	Hui Xian Asset Management Limited Unit 303, Cheung Kong Center 2 Queen's Road Central Hong Kong
Directors of the REIT Manager	
Chairman and Non-executive Director	Mr. Kam Hing Lam
Executive Directors	Mr. Cheung Ling Fung, Tom *(Chief Executive Officer)* Mr. Lee Chi Kin, Casey
Non-executive Directors	Mr. Ip Tak Chuen, Edmond Mr. Lim Hwee Chiang Mr. Yin Ke *(with Mr. Pang Shuen Wai, Nichols as his alternate)*
Independent Non-executive Directors	Mr. Cheng Hoi Chuen, Vincent Professor Lee Chack Fan Dr. Choi Koon Shum, Jonathan
Trustee	DB Trustees (Hong Kong) Limited Level 52 International Commerce Centre 1 Austin Road West Kowloon, Hong Kong
Financial Adviser to the REIT Manager	Citigroup Global Markets Asia Limited 50th Floor, Citibank Tower Citibank Plaza 3 Garden Road Central Hong Kong
Independent Financial Adviser to the Independent Board Committee, the Independent Unitholders and the Trustee	Somerley Capital Limited 20/F, China Building, 29 Queen's Road Central, Hong Kong
Legal Advisers to the REIT Manager	*As to Hong Kong law:* Woo Kwan Lee & Lo 26th Floor, Jardine House 1 Connaught Place Central Hong Kong

	As to PRC law: Jincheng Tongda & Neal Law Firm 10th Floor, China World Tower No. 1 Jianguo Menwai Avenue Beijing People's Republic of China
Legal Adviser to the Trustee	Baker & McKenzie 14th Floor, Hutchison House 10 Harcourt Road Hong Kong
Reporting Accountants for the Financial Information of the Target Business	PricewaterhouseCoopers 22nd Floor, Prince's Building 10 Chater Road Central Hong Kong
Reporting Accountants for the Pro Forma Financial Information of the Enlarged Group	Deloitte Touche Tohmatsu 35th Floor, One Pacific Place 88 Queensway Hong Kong
Independent Property Valuer	Knight Frank Petty Limited 4th Floor, Shui On Centre 6–8 Harbour Road Wanchai Hong Kong
Market Consultant	Savills Property Services (Chengdu) Limited Chongqing Branch #3504, Xinhua International No.27 Minquan Road, Yuzhong District Chongqing People's Republic of China
Unit Registrar	Computershare Hong Kong Investor Services Limited 17M Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong

In this circular, the following expressions shall have the following meanings unless the context otherwise requires:

"1H"	the six months ended 30 June
"2014 Extended Cheung Kong Waiver"	has the meaning ascribed to it in the March Circular
"2014 Extended Manager Waiver"	has the meaning ascribed to it in the March Circular
"Acquisition"	the proposed acquisition by the Purchaser from the Vendors of the Sale Shares and the Sale Loans pursuant to the Sale and Purchase Agreement
"Adjusted Asset Value"	has the meaning ascribed to it in the section headed "*(B) Sale and Purchase Agreement – 4. Consideration*" of the "Letter from the Board" in this circular
"Administrative Service Provider"	和記黃埔地產管理有限公司重慶分公司 (Hutchison Whampoa Property Management Limited Chongqing Branch), a company established in the PRC
"Announcement"	the announcement of Hui Xian REIT dated 10 November 2014
"Annual Caps Revisions"	(1) the Cheung Kong Annual Cap Revision, (2) the Manager Annual Cap Revision, and (3) the Manager Leasing Annual Cap Revision
"Appraised Value"	the value of the Chongqing Property as at 31 August 2014 as appraised by the Independent Property Valuer
"Area Issue"	has the meaning ascribed to it in the section headed "*(E) Arm's Length Terms and Due Diligence Review*" of the "Letter from the Board" in this circular
"associate"	has the meaning ascribed to it under the REIT Code
"Attributable Value"	RMB3,910 million, which is the value attributable to the Chongqing Property as agreed between the Vendors and the Purchaser for the purpose of the Sale and Purchase Agreement
"Beijing Oriental Plaza"	the composite development known as Oriental Plaza (東方廣場) situated at No. 1 East Chang An Ave., Dong Cheng District, Beijing, the PRC
"Board"	the board of Directors
"BOP"	北京東方廣場有限公司 (Beijing Oriental Plaza Company Limited), a Sino-foreign co-operative joint venture established in the PRC, which

	holds the land use rights and building ownership rights of Beijing Oriental Plaza
"Business Day"	a day (excluding Saturdays, Sundays, public holidays and a day on which a tropical cyclone warning signal no. 8 or above or a "black" rainstorm warning signal is hoisted or is in effect in Hong Kong at any time between the hours 9:00 a.m. and 5:00 p.m. on weekdays) on which licensed banks are generally open for business in Hong Kong
"BVI"	the British Virgin Islands
"Certifying Accountants"	PricewaterhouseCoopers, or such other firm of certified public accountants as the Vendors and the Purchaser/REIT Manager may agree and jointly appoint
"Cheerjoy"	Cheerjoy Limited, a limited liability company incorporated in the BVI which is an indirect wholly-owned subsidiary of Cheung Kong
"Cheerjoy Loan"	the aggregate amount outstanding and owing by the Target Company to Cheerjoy as at the date of the Sale and Purchase Agreement and as at Completion, being a principal amount of HK$116,912,941.20
"Cheung Kong"	Cheung Kong (Holdings) Limited, a company incorporated in Hong Kong with limited liability, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 1)
"Cheung Kong Annual Cap Revision"	has the meaning ascribed to it in the section headed "*(L) Continuing Connected Party Transactions – 1. Annual Caps Revisions – (a) Property management arrangements in respect of the Chongqing Property with the Cheung Kong Connected Persons Group*" of the "Letter from the Board" in this circular
"Cheung Kong Connected Persons Group"	Cheung Kong and entities and persons which are from time to time connected persons of Hui Xian REIT as a result of their connection with Cheung Kong, including certain members of the Cheung Kong Group, HWL and certain subsidiaries of HWL
"Cheung Kong Group"	Cheung Kong and its subsidiaries
"Cheung Kong Indemnifiers"	CKH Guarantor and Cheerjoy
"Chongqing Company"	和記實業(重慶)有限公司 (Hutchison Enterprises (Chongqing) Limited), a PRC-incorporated enterprise and a wholly-owned subsidiary of the Target Company
"Chongqing Hotel"	a hotel currently called "Harbour Plaza Chongqing 重慶海逸酒店"

"Chongqing Property"	an integrated commercial property development comprising the Shopping Mall and the Office Building, which is located at No.68 Zou Rong Road, Yuzhong, Chongqing, the PRC
"Chongqing Property Manager"	the Chongqing branch of 北京匯賢企業管理有限公司 (Beijing Hui Xian Enterprise Services Limited), a wholly-owned subsidiary of the REIT Manager and the current property manager of Beijing Oriental Plaza, to be set up and to be appointed as the property manager in respect of the Chongqing Property pursuant to the Chongqing Property Manager Agreement
"Chongqing Property Manager Agreement"	the agreement to be entered into between the Chongqing Company and the Chongqing Property Manager, as further described in the section headed "*(B) Sale and Purchase Agreement – 11. Chongqing Property Manager Agreement and New Chongqing Property Management Agreement*" of the "Letter from the Board" in this circular
"Circular 698"	國家稅務總局關於加強非居民企業股權轉讓所得企業所得稅管理的通知(國稅函[2009]698號) (Notice of the State Administration of Taxation on Strengthening the Administration of Enterprise Income Tax on Income Derived from Equity Transfer Made by Non-Resident Enterprise) (Guo Shui Han [2009] No.698), effective as from 1 January 2008
"Circular 698 Obligations"	has the meaning ascribed to it in "*(F) PRC Taxation*" of the "Letter from the Board" in this circular
"CKH Guarantor"	Cheung Kong Holdings (China) Limited, a limited liability company incorporated in Hong Kong
"Completion"	completion of the Acquisition pursuant to the terms of the Sale and Purchase Agreement
"Completion Balance Sheet"	the unaudited consolidated balance sheet of the Target Group as at the date of Completion to be prepared in accordance with the agreed terms set out in the Sale and Purchase Agreement
"Conditions Precedent"	the conditions precedent to which the Acquisition is subject, as set out in the Sale and Purchase Agreement and which are summarised in the section headed "*(B) Sale and Purchase Agreement – 6. Conditions Precedent and Termination Rights*" of the "Letter from the Board" in this circular
"connected person(s)"	has the meaning ascribed to it under the REIT Code
"Consideration"	the aggregate of (i) the Share Consideration, (ii) the Total Loan Consideration, and (iii) the Final Net Distribution

"DB Group"	Deutsche Bank AG and its subsidiaries and excludes the Trustee and its proprietary subsidiaries (being subsidiaries of the Trustee but excluding those subsidiaries formed in its capacity as the trustee of Hui Xian REIT)
"Deed of Income Guarantee"	the deed of income guarantee to be entered into between the Vendors, the Guarantors, the Purchaser and the REIT Manager at Completion, as further described in the section headed "*(B) Sale and Purchase Agreement – 9. Deed of Income Guarantee*" of the "Letter from the Board" in this circular
"Deed of Tax Covenant"	the deed of tax covenant to be entered into between the Vendors, the Guarantors and the Purchaser at Completion, as further described in the section headed "*(B) Sale and Purchase Agreement – 10. Deed of Tax Covenant*" of the "Letter from the Board" in this circular
"Deeds of Loan Assignment"	the deeds of loan assignment to be entered into at Completion by the Purchaser (or its nominee), the Target Company, and each of the Vendors respectively in respect of the relevant Sale Loan owned by such Vendor
"Deposited Property"	all the assets of Hui Xian REIT, including all its Authorised Investments (as defined in the Trust Deed), for the time being held or deemed to be held (including but not limited to through Special Purpose Vehicles) upon the trusts of the Trust Deed and any interest arising on subscription monies from, or application monies for, the issuance of Units and the proceeds from the divestment of any investment
"Director(s)"	the director(s) of the REIT Manager
"Distribution"	has the meaning ascribed to it in the section headed "*(B) Sale and Purchase Agreement – 4. Consideration – (a) Adjusted Asset Value of the Target Group*" of the "Letter From the Board" in this circular
"DPU"	distribution per Unit
"EGM"	an extraordinary general meeting of the Unitholders convened by the notice of extraordinary general meeting set out in this circular (or any adjournment thereof)
"Employees"	all the employees of the Chongqing Company within the meaning of the relevant PRC laws as at the date of the Sale and Purchase Agreement and those employed by the Chongqing Company subsequent to the Sale and Purchase Agreement
"Employment Liabilities"	has the meaning ascribed to it in "*(C) Information in relation to the Chongqing Property and the Target Group – 2. Information on the Target Group*" of the "Letter from the Board" in this circular

"Employment Provision"	as defined in the section headed "*(C) Information in relation to the Chongqing Property and the Target Group – 2. Information on the Target Group*" of the "Letter from the Board" in this circular
"Enlarged Group"	the Hui Xian REIT Group as enlarged by the Acquisition
"Entrusted Loan Agreements"	all the entrusted loan agreements entered into by the Chongqing Company (as informed by the Vendors and listed out in the Sale and Purchase Agreement)
"Entrusted Loan Borrowers"	the persons or companies to which Entrusted Loans have been advanced
"Entrusted Loans"	all amounts outstanding and owing by the Entrusted Loan Borrowers under the Entrusted Loan Agreements (which amounts are, as a Condition Precedent, to be repaid and settled in full before Completion, and for reference only, the aggregate principal amount of the Entrusted Loans as at 30 June 2014 was RMB1,305,000,000
"Exchange Rate"	the middle exchange rate for exchange between HK$ and RMB posted in the "人民幣匯率中間價公告" (Notice on the Middle Exchange Rate for RMB) on the website of the People's Bank of China at or about 9:15 a.m. (Beijing time) on the relevant date and, if no such rate is announced on the relevant date, a business day immediately preceding such date
"Existing Bank Loan Documents"	all the subsisting loan agreements, guarantees, securities and other agreements, instruments and documents (including but not limited to the mortgage contracts) entered into by the Chongqing Company with the relevant lenders on or before the date of the Sale and Purchase Agreement as listed in the Sale and Purchase Agreement
"Existing Bank Loans"	all amounts outstanding and owing by the Chongqing Company to the lenders under the Existing Bank Loan Documents (which amounts are, as a Condition Precedent, to be repaid and settled in full before Completion, and for reference only, the aggregate principal amount of the Existing Bank Loans as at 30 June 2014 was RMB1,520,000,000
"Existing Chongqing Property Management Agreement"	the property management agreement entitled《大都會廣場物業管理服務合同》(Metropolitan Plaza Property Management Service Agreement) entered into between the Chongqing Company and the Existing Chongqing Property Management Company
"Existing Chongqing Property Management Company"	家利物業管理(重慶)有限公司 (Cayley Property Management (Chongqing) Limited), a company established in the PRC and the existing property management company of the Chongqing Property

"Final Distribution"	has the meaning ascribed to it in the section headed "*(B) Sale and Purchase Agreement – 4. Consideration – (b) Final Distribution and Final Net Distribution*" of the "Letter From the Board" in this circular
"Final Net Distribution"	has the meaning ascribed to it in the section headed "*(B) Sale and Purchase Agreement – 4. Consideration – (b) Final Distribution and Final Net Distribution*" of the "Letter From the Board" in this circular
"Financial Adviser"	Citigroup Global Markets Asia Limited, a company incorporated in Hong Kong with limited liability, and licensed under the SFO to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on future contracts), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) regulated activities
"GDP"	gross domestic product
"GFA"	gross floor area
"Guaranteed Year"	each of the five financial years ending 31 December 2014, 2015, 2016, 2017 and 2018 (if Completion takes place in 2014), or each of the five financial years ending 31 December 2015, 2016, 2017, 2018 and 2019 (if Completion takes place in 2015)
"Guarantors"	CKH Guarantor and HWL Guarantor
"Highsmith Limited"	a former wholly-owned subsidiary of the Target Company which was transferred to the Vendors prior to the signing of the Sale and Purchase Agreement pursuant to the Hotel Transfer
"HK$ "	Hong Kong dollars, the lawful currency of Hong Kong
"HK$ Equivalent"	in respect of a sum in RMB, means the amount in HK$ into which such sum in RMB is converted at the Exchange Rate
"HK Bank"	The Hongkong and Shanghai Banking Corporation Limited
"HK Bank Connected Persons Group"	The Hongkong and Shanghai Banking Corporation Limited and certain of its subsidiaries which are connected persons of Hui Xian REIT because a director of Noblecrown Investment Limited which is a significant holder of Units, is also a director of The Hongkong and Shanghai Banking Corporation Limited and/or certain of its subsidiaries
"Hong Kong"	Hong Kong Special Administrative Region of the People's Republic of China

"Hotel Transfer"	has the meaning ascribed to it in the section headed "*(C) Information in relation to the Chongqing Property and the Target Group – 2. Information on the Target Group*" of the "Letter from the Board" in this circular
"Hui Xian Cayman"	Hui Xian (Cayman Islands) Limited, a company incorporated in the Cayman Islands with limited liability and a significant holder of Hui Xian REIT
"Hui Xian REIT"	Hui Xian Real Estate Investment Trust, a collective investment scheme constituted as a unit trust and authorised under section 104 of the SFO
"Hui Xian REIT Group"	Hui Xian REIT and other companies or entities held or controlled by Hui Xian REIT
"HWEL"	Hutchison Whampoa Enterprises Limited, a company incorporated in the BVI and an indirect wholly-owned subsidiary of HWL, which is a connected person of Hui Xian REIT
"HWL"	Hutchison Whampoa Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 13)
"HWL Guarantor"	Hutchison Properties Limited, a limited liability company incorporated in Hong Kong
"HWL Indemnifiers"	HWL Guarantor and Joinpower
"Independent Board Committee"	the independent committee of the Board established to advise the Independent Unitholders on the Transaction Matters Requiring Approval, comprising two independent non-executive Directors, namely, Professor Lee Chack Fan and Dr. Choi Koon Shum, Jonathan
"Independent Financial Adviser"	Somerley Capital Limited, a corporation licensed to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
"Independent Property Valuer"	Knight Frank Petty Limited
"Independent Unitholders"	Unitholders other than those who are required to abstain or prohibited from voting pursuant to 8.11 and 9.9(f) of the REIT Code
"Joinpower"	Joinpower Holdings Ltd., a limited liability company incorporated in the BVI which is an indirect wholly-owned subsidiary of HWL
"Joinpower Loan"	the aggregate amount outstanding and owing by the Target Company to Joinpower as at the date of the Sale and Purchase Agreement and as at Completion, being a principal amount of HK$116,912,941.20

"Latest Practicable Date"	5 November 2014, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
"Listing Rules"	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Long Stop Date"	31 March 2015, or such other date as the Vendors and the Purchaser may agree in writing
"Manager's Acquisition Fee"	has the meaning ascribed to it in the section headed "*(G) Fees and Charges – 2. Fees payable by Hui Xian REIT to the REIT Manager and the Trustee in relation to the Acquisition*" of the "Letter from the Board" in this circular
"Manager Acquisition Fee Units"	the new Units to be issued to the REIT Manager in payment of the Manager's Acquisition Fee, if the REIT Manager's election for such fee to be received in the form of new Units is approved by Unitholders by way of an Ordinary Resolution
"Manager Annual Cap Revision"	has the meaning ascribed to it in the section headed "*(L) Continuing Connected Party Transactions – 1. Annual Caps Revisions – (b) Property manager services in respect of the Chongqing Property with the REIT Manager Group and leasing arrangements in respect of the Chongqing Property with the REIT Manager Group*" of the "Letter from the Board" in this circular
"Manager Leasing Annual Cap Revision"	has the meaning ascribed to it in the section headed "*(L) Continuing Connected Party Transactions – 1. Annual Caps Revisions – (b) Property manager services in respect of the Chongqing Property with the REIT Manager Group and leasing arrangements in respect of the Chongqing Property with the REIT Manager Group*" of the "Letter from the Board" in this circular
"March Circular"	the circular dated 31 March 2014 of Hui Xian REIT to the Unitholders
"Market Consultant"	Savills Property Services (Chengdu) Limited Chongqing Branch, the market consultant appointed by the REIT Manager
"May Poll Results Announcement"	the poll results announcement of Hui Xian REIT dated 5 May 2014 in relation to the annual general meeting and the extraordinary general meeting of Hui Xian REIT held on that day
"NAV"	net asset value
"New Chongqing Property Management Agreement"	the property management agreement to be entered into between the Chongqing Company and the New Chongqing Property Management Company, as further described in the section headed "*(B) Sale and Purchase Agreement – 11. Chongqing Property Manager Agreement and New Chongqing Property Management Agreement*" of the "Letter from the Board" in this circular

"New Chongqing Property Management Company"	家利物業管理(深圳)有限公司 (Cayley Property Management (Shenzhen) Limited), a company established in the PRC
"NPI"	net property income of a real estate in relation to a financial year or part thereof, being Gross Revenue less Property Operating Expenses (each as defined in the Trust Deed) of such real estate for that financial year or part thereof
"Offering Circular"	the offering circular of Hui Xian REIT dated 11 April 2011 issued in connection with the initial public offering of the Units
"Office Building"	a 37-storey (not counting the mezzanine floor and roof top floor) office building currently called "Metropolitan Tower 大都會商廈", being part of the Chongqing Property
"Ordinary Resolution"	a resolution proposed and passed at a meeting of Unitholders duly convened and held in accordance with the provisions of the Trust Deed and carried by a simple majority of the votes of those Unitholders present and entitled to vote in person or by proxy
"PRC" or "China"	the People's Republic of China, for the purpose of this circular, excluding Hong Kong, Macau and Taiwan
"Property Values"	the values of all real estate, whether directly held by the trustee of Hui Xian REIT or indirectly held by the trustee of Hui Xian REIT through a Special Purpose Vehicle
"Purchaser" or "Trustee"	DB Trustee (Hong Kong) Limited, as the trustee of Hui Xian REIT, in its capacity as the trustee of Hui Xian REIT; and all references to the Trustee in this circular are, as the context may require, to the Trustee acting on behalf of Hui Xian REIT and on the instructions of the REIT Manager
"REIT"	real estate investment trust
"REIT Code"	Code on Real Estate Investment Trusts issued by the SFC, as amended, supplemented and/or otherwise modified from time to time
"REIT Manager"	Hui Xian Asset Management Limited (滙賢房託管理有限公司), as manager of Hui Xian REIT
"REIT Manager Group"	the REIT Manager and persons which are connected persons of Hui Xian REIT as a result of their connection with the REIT Manager, including 北京匯賢企業管理有限公司 (Beijing Hui Xian Enterprise Services Limited) and the Chongqing Property Manager, but excluding the Cheung Kong Connected Persons Group

"REIT Properties"	collectively the Beijing Oriental Plaza, Sofitel Shenyang Lido and, after Completion, the Chongqing Property
"RMB"	Renminbi, the lawful currency of the PRC
"RMB Equivalent"	in respect of a sum in HK$, means the amount in RMB into which such sum in HK$ is converted at the Exchange Rate
"Sale and Purchase Agreement"	the sale and purchase agreement dated 10 November 2014 and entered into between the Vendors, the Guarantors and the Purchaser in respect of the Acquisition, further details of which are set out in the section headed "*(B) Sale and Purchase Agreement*" of the "Letter from the Board" in this circular
"Sale Loans"	the Cheerjoy Loan and the Joinpower Loan
"Sale Shares"	210,000,000 shares of the Target Company, representing all the issued shares of the Target Company, of which 105,000,000 shares are held by Joinpower and 105,000,000 shares are held by Cheerjoy
"SFC"	Securities and Futures Commission of Hong Kong
"SFO"	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified for the time being
"Share Consideration"	the total amount of consideration payable by the Purchaser to the Vendors (or as the Vendors may direct) for the sale and purchase of the Sale Shares under the Sale and Purchase Agreement as determined in the manner set out in the section headed "*(B) Sale and Purchase Agreement – 4. Consideration*" of the "Letter from the Board" in this circular
"Shenyang Lido"	瀋陽麗都商務有限公司 (Shenyang Lido Business Co., Ltd.), a Sino-foreign co-operative joint venture established in the PRC, which holds the land use rights and building ownership rights of Sofitel Shenyang Lido located in Shenyang, the PRC
"Shopping Mall"	a 12-storey shopping mall (inclusive of 353 car park spaces) currently called "Metropolitan Plaza 大都會廣場", being part of the Chongqing Property
"significant holder"	has the meaning ascribed to it under the REIT Code
"Special Purpose Vehicles" or "SPVs"	special purpose vehicles owned and controlled by Hui Xian REIT in accordance with the REIT Code, and "Special Purpose Vehicle" or "SPV" means one of them

"sq. m."	square metres
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Business"	has the meaning ascribed to it in the section headed "*(C) Information in relation to the Chongqing Property and the Target Group – 2. Information on the Target Group*" of the "Letter from the Board" in this circular
"Target Company"	Chesgold Limited 志鉅有限公司, a company incorporated in Hong Kong with limited liability, the issued shares of which are owned as to 50% by each of the Vendors
"Target Group"	collectively (1) the Target Company; and (2) the Chongqing Company, and each of them, a "Target Group Company"
"Total Income"	in respect of any Guaranteed Year, the 主營業務收入 (English for reference only, revenue generated from the principal business) of the Chongqing Company as stated in the audited accounts of the Chongqing Company for that Guaranteed Year plus all the 承包費 (English for reference only, contractor's fee) from certain specified shop in the Shopping Mall for that Guaranteed Year less the revenue from sales of goods relating to such shop for that Guaranteed Year (and, for this purpose, 主營業務收入 shall include any value added tax imposed thereto, after the business tax to value added tax reform is applied to the Chongqing Company)
"Total Loan Consideration"	means the aggregate of the consideration payable by the Purchaser to each of the Vendors for the assignment of the benefit of and interest in the relevant Sale Loan under the Sale and Purchase Agreement
"Trade Marks"	the following trade marks registered by HWEL with the Trademark Office of the State Administration for Industry & Commerce of the PRC: (a) 大都會廣場 metropolitan plaza and device (b) METROPOLITAN PLAZA (c) METROPOLITAN TOWER and "Trade Mark" means any one of them
"Trademark Licence Agreements"	the licence agreement with respect to the Trade Mark under the registration number 3532450, the licence agreement with respect to the Trade Mark under the registration number 3532460, the licence agreement with respect to the Trade Mark under the registration number 7381145, and the licence agreement with respect to the Trade

	Mark under the registration number 8332793, all to be entered into between HWEL and the Chongqing Company
"Transaction Documents"	collectively (1) the Sale and Purchase Agreement, (2) the Deed of Income Guarantee, (3) the Deeds of Loan Assignment, and (4) the Deed of Tax Covenant, details of which are set out in the section headed "*(B) Sale and Purchase Agreement*" of the "Letter from the Board" in this circular
"Transaction Matters Requiring Approval"	collectively (1) the Transactions; (2) the Annual Caps Revisions; and (3) the REIT Manager's election to receive the Manager's Acquisition Fee in the form of new Units
"Transactions"	the Sale and Purchase Agreement and the other Transaction Documents and the transactions contemplated thereunder
"Transitional Administrative Service Agreement"	the agreement to be entered into between the Chongqing Company and the Administrative Service Provider, as further described in the section headed "*(B) Sale and Purchase Agreement – 12. Transitional Administrative Service Agreement*" of the "Letter from the Board" in this circular
"Trust Deed"	the trust deed dated 1 April 2011 constituting Hui Xian REIT, as amended by two supplemental deeds dated 24 May 2013 and 16 May 2014 respectively, and as may be modified or supplemented from time to time
"Trustee's Fee"	has the meaning ascribed to it in the section headed "*(G) Fees and Charges – 2. Fees payable by Hui Xian REIT to the REIT Manager and the Trustee in relation to the Acquisition*" of the "Letter from the Board" in this circular
"Unit"	one unit in Hui Xian REIT
"Unitholder"	any person registered as holding a Unit
"US$"	United States dollars, the lawful currency of the United States of America
"Vendors"	Cheerjoy and Joinpower

Any reference to a time of day in this circular shall be a reference to Hong Kong time unless otherwise stated.

English names of the PRC established companies/entities in this circular are only translations of their official Chinese names. In case of inconsistency, the Chinese names prevail.

This summary section aims to give you an overview of the information contained in this circular and does not contain all the information that may be important to you. This summary section is qualified in its entirety by, and should be read in conjunction with, the full text of this circular.

1. Sale and Purchase Agreement

As proposed by the REIT Manager, Hui Xian REIT has conditionally agreed to acquire the entire interest in the Chongqing Property through the acquisition of the Target Company. The Chongqing Property is an integrated commercial property development located at No.68 Zou Rong Road, Yuzhong District, Chongqing, the PRC. The Chongqing Property comprises (i) the Shopping Mall, a 12-storey shopping mall (inclusive of 353 car park spaces) currently called "Metropolitan Plaza 大都會廣場" and (ii) the Office Building, a 37-storey office building currently called "Metropolitan Tower 大都會商廈". The Chongqing Property has a total GFA of approximately 164,360 sq. m.

On 10 November 2014, the Purchaser, the Vendors and the Guarantors entered into the Sale and Purchase Agreement pursuant to which the Vendors have conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire or procure its nominee to acquire the Sale Shares and the Sale Loans at the Consideration which will be equal to the aggregate of (i) the Adjusted Asset Value of the Target Group as at Completion and (ii) the Final Net Distribution.

The Adjusted Asset Value refers to (i) the Attributable Value (being RMB3,910 million) plus (ii) the current assets of the Target Group as at Completion, and minus (iii) the current and non-current liabilities of the Target Group as at Completion and the Distribution, further details of which are set out in the section headed "*(B) Sale and Purchase Agreement – 4. Consideration*" of the "Letter from the Board" in this circular. The Attributable Value of RMB3,910 million, which is the value attributable to the Chongqing Property as agreed between the Vendors and the Purchaser for the purpose of the Sale and Purchase Agreement, represents a discount of approximately 4.7% to the Appraised Value of the Chongqing Property of RMB4,104 million as at 31 August 2014. The Attributable Value has been determined on the basis of commercial and arm's length negotiations between the parties, taking into account the information and particulars relating to the Chongqing Property, the Appraised Value and the terms of the Sale and Purchase Agreement.

The Final Net Distribution refers to the Final Distribution, after deducting therefrom the amount of withholding tax payable on the Final Distribution upon the distribution of the Final Distribution by the Chongqing Company according to the relevant PRC laws and regulations and any applicable tax treaties, which will be paid to the Vendors as part of the Consideration.

The Target Company is a Hong Kong incorporated company which owns the entire interest in the Chongqing Company, a PRC-incorporated company which in turn is the registered legal owner of the land use rights and building ownership rights underlying the Chongqing Property.

Knight Frank Petty Limited, the current principal valuer of Hui Xian REIT, has been appointed as the Independent Property Valuer for the purpose of the Acquisition. The Appraised Value of the Chongqing Property as appraised by the Independent Property Valuer as at 31 August 2014 was RMB4,104 million.

The Vendors agreed to deliver to the Purchaser the Deed of Income Guarantee at Completion, under which each of the Vendors shall guarantee to the Purchaser that the Chongqing Company's Total Income shall not be less than RMB299.28 million per annum in each of the five financial years ending 31 December 2014, 2015, 2016, 2017 and 2018 (if Completion takes place in 2014), or each of the five financial years ending 31 December 2015, 2016, 2017, 2018 and 2019 (if Completion takes place in 2015). The total amount of all payments to be made by the Vendors to meet the Income Shortfalls during the entire period will be subject to a maximum amount of RMB100 million.

The Sale and Purchase Agreement contains certain customary representations and warranties given by each of the Vendors severally in respect of their respective Sale Shares and the Sale Loans and in respect of the Target Group and the Chongqing Property.

Pursuant to the Sale and Purchase Agreement, the Vendors shall, severally in equal proportion, indemnify and hold harmless the Purchaser (on behalf of itself and on trust for all members of the Hui Xian REIT Group) and the Target Group Companies against all claims, liabilities, losses, expenses and costs incurred in connection with (a) the Hotel Transfer, and/or (b) Highsmith Limited having owned and/or operated directly or indirectly the Chongqing Hotel.

HWL Guarantor has guaranteed the proper and punctual performance by Joinpower of all its obligations under or pursuant to the Sale and Purchase Agreement and CKH Guarantor has guaranteed the proper and punctual performance by Cheerjoy of all its obligations under or pursuant to the Sale and Purchase Agreement.

Subject to the fulfilment (or, where applicable, waiver) of all the Conditions Precedent, the REIT Manager currently expects that Completion will take place in or around late December 2014 or early 2015.

The REIT Manager currently expects that the Consideration payable by Hui Xian REIT will be financed: (i) as to approximately 80%, by new bank borrowing expected to be obtained prior to Completion; and (ii) as to approximately 20%, by existing cash. Based on the financial position of Hui Xian REIT as disclosed in its 2014 interim report and assuming that the Consideration is equal to the Attributable Value and would be financed as to approximately 80% by new bank borrowing and approximately 20% by existing cash, it is estimated that the debts to gross asset value ratio of Hui Xian REIT as at 30 June 2014 would have increased from 9.2% to 15.4%.

2. Manager's Acquisition Fee and possible issuance of Manager Acquisition Fee Units

Pursuant to the Trust Deed, the REIT Manager will be entitled to receive the Manager's Acquisition Fee for the Acquisition. The REIT Manager has elected that the Manager's Acquisition Fee be paid entirely in the form of new Units to be issued, with such election to be subject to the approval of Independent Unitholders by way of an Ordinary Resolution at the EGM.

3. Reasons for and benefits of the Acquisition

The REIT Manager believes that the key benefits of the Acquisition to Hui Xian REIT are as follows:

(1) Well-established asset with competitive positioning

The Shopping Mall is one of the most established and popular shopping malls in Chongqing, with wide recognition amongst local population. It has the largest GFA amongst all the shopping malls in the core Jiefangbei CBD.

The Shopping Mall currently features a department store, as well as a diverse range of international brands, such as Hugo Boss, Dunhill, OMEGA, G Givenchy, Cerruti 1881, MaxMara Weekend, Armani Collezioni, Armani Jeans and Calvin Klein. It also has a food court and a variety of restaurants and leisure amenities, including a cinema and the city's first ice-skating rink.

The Office Building has a solid and well-diversified tenant profile. Tenants include consulates and multinational corporations of different industries such as retail, insurance and financial services, electronics and healthcare. Amongst the tenants are the British Consulate-General and the Canadian Consulate General, PricewaterhouseCoopers, KPMG, Siemens, Deutsche Bank, HSBC, Dragonair, 3M and Johnson & Johnson Medical Companies).

As of 31 August 2014, the occupancy rates of the Shopping Mall and the Office Building were approximately 92.5% and approximately 97.3% respectively.

(2) Attractive consideration at a 4.7% discount to appraised value

The Attributable Value of RMB3,910 million represents a discount of approximately 4.7% to the appraised value of the Property of RMB4,104 million as at 31 August 2014. The Acquisition is expected to be financed by new banking borrowing and existing cash.

(3) Brings significant contribution to Hui Xian REIT's amount available for distribution, and is DPU accretive

If the Chongqing Property had been owned by Hui Xian REIT throughout the financial year ended 31 December 2013, it is estimated that the amount available for Hui Xian REIT's distribution for that financial year would have increased by 4.9% to RMB1,324 million. The estimated distribution per unit would have increased by 4.15% from RMB0.2455 to RMB0.2557.

(4) Mitigates Hui Xian REIT's risk of concentration in "single asset, single city", and the risk of having a limited lifespan

The Acquisition is expected to diversify Hui Xian REIT's asset portfolio geographically and to reduce Hui Xian REIT's heavy reliance on Beijing Oriental Plaza. In other words, the Acquisition would mitigate the risk of "single asset, single city".

In addition, the Acquisition would also mitigate the risk of Hui Xian REIT having a limited lifespan. Hui Xian REIT's interest in BOP will expire in January 2049 when the joint venture period of BOP ends. Unless Hui Xian REIT acquires and holds other real estate investment that generates recurrent rental income before the expiration of BOP's joint venture period, the value of Hui Xian REIT's investment in BOP will diminish over time and will have zero value.

(5) Meaningful growth in scale

The Acquisition is expected to increase Hui Xian REIT's portfolio value and size meaningfully. If the Acquisition had been completed on 30 June 2014, it is estimated that the gross asset value of Hui Xian REIT would have increased by approximately 7.6% to RMB45,242 million. The total gross floor area managed by Hui Xian REIT is also expected to increase by approximately 19% from 865,805 sq.m. to 1,030,165 sq.m..

The appraised value of the Chongqing Property represents approximately 11% of the existing portfolio's appraised value of RMB37,040 million as at 31 December 2013.

(6) Attractive income level, with further certainty from Deed of Income Guarantee

Opened in 1997, the Chongqing Property has a strong track record of operating and financial performance. For the three years ended 31 December 2013, the revenue and rental related income amounted to approximately RMB261 million, RMB268 million and RMB282 million respectively. Based on an Attributable Value of RMB3,910 million, the revenue and rental related income of RMB282 million represents a gross rental yield of approximately 7.21%.

In order to further improve the mix of offerings and attractiveness of the Shopping Mall, the Vendors and the Chongqing Company have started an initiative to optimise the tenant mix in the middle-floors of the mall, and the process is currently being carried out. The tenant optimisation, despite causing temporary disruption, is expected to improve the overall rental income and tenant mix of the Shopping Mall over the longer term.

In view of the above, the Vendors agreed to provide income guarantee for a period of five years after the year in which completion takes place to give greater certainty to Hui Xian REIT. If the aggregate amount of revenue and rental related income is less than the guaranteed income level of RMB299.28 million, the Vendors will pay to Hui Xian REIT the income shortfall. The total amount of guarantee is not to exceed RMB100 million.

The guaranteed income level of RMB299.28 million per annum represents a yield of approximately 7.65% based on the Attributable Value.

Unitholders should note that the Income Guarantee Cap effectively serves as a cap on the liability of the Vendors and the Guarantors under the Deed of Income Guarantee, and that, once the full amount of the Income Guarantee Cap has been met, the Vendors and the Guarantors will have no further liability under the Deed of Income Guarantee during the Relevant Period.

(7) Consistent with key objectives and competencies of the REIT Manager, and synergy with Beijing Oriental Plaza

The REIT Manager intends to rebrand "Metropolitan Plaza" to "Metropolitan Chongqing Oriental Plaza", and position it as the second "Oriental Plaza" under Hui Xian REIT.

This would mark the first step of Hui Xian REIT's long-term plan of establishing a portfolio of strategically located large-scale integrated property developments across different cities in China under the "Oriental Plaza" brand, leveraging the prestigious brand recognition of Beijing Oriental Plaza.

The re-branding would also enable the REIT Manager to leverage its experience and existing resources to achieve strong synergistic benefits between the Chongqing Property and Beijing Oriental Plaza.

4. Summary of Risks attached to acquisition of the Chongqing Property

The following provides a brief description of the risk factors relating to the acquisition of the Chongqing Property. Unitholders should read and consider carefully the risk factors as more fully described in the section headed "*(K) Risk Factors*" in the "Letter of the Board" of this circular.

1. The acquisition of the Chongqing Property involves general risks relating to acquisition of real estate;

2. Hui Xian REIT may be unable to renew leases, lease vacant space or re-lease space in the Chongqing Property as current leases expire;

3. Failure by the Vendors, the HWL Guarantor or the CKH Guarantor to fulfil their obligations under the Sale and Purchase Agreement, the Deed of Tax Covenant and the Deed of Income Guarantee may have a material adverse effect on Hui Xian REIT's operations;

4. There are risks to leveraging and limitations on Hui Xian REIT's ability to leverage;

5. The due diligence on the Chongqing Property prior to completion of the Acquisition may not have identified all material defects, breaches of laws and regulations and other deficiencies;

6. The operations of the Chongqing Property could be affected by certain properties directly adjacent to the Chongqing Property and not owned or controlled by Hui Xian REIT or the REIT Manager after Completion;

7. RMB is not freely convertible. There are significant restrictions on the remittance of RMB into and out of the PRC, and the ability of Chongqing Company to remit RMB to Hong Kong and the ability of Hui Xian REIT to make distributions in RMB may be subject to future limitations imposed by the PRC government;

8. Dividends payable to Hui Xian REIT by the Chongqing Company will be subject to PRC withholding tax;

9. The Chongqing Property is located on land which is under long-term land use rights granted by the PRC Government. There is uncertainty about the amount of land grant premium which the Chongqing Company will have to pay and additional conditions which may be imposed if the REIT Manager decides to seek an extension of the land use rights for the Chongqing Property;

10. The Chongqing Property, if disposed by the Hui Xian REIT Group in the future through a direct onshore transfer of the property interests, could potentially incur significant tax liabilities; and

11. Deed of Income Guarantee may not be able to insure the financial performance of Target Company and thus may have negative impact to the Hui Xian REIT's distribution ability to Unitholders.

5. Implications under the REIT Code and the Trust Deed

Sale and Purchase Agreement

Under 8.1 of the REIT Code, connected persons of a REIT include, among others, any "associated company" of a "significant holder" (each within the meaning ascribed to it under the REIT Code). The Vendors (namely Joinpower Holdings Ltd. and Cheerjoy Limited), the Guarantors (namely Hutchison Properties Limited and Cheung Kong Holdings (China) Limited), the Administrative Service Provider (namely Hutchison Whampoa Property Management Limited Chongqing Branch) and Hutchison Whampoa Enterprises Limited are associated companies of Hui Xian Cayman which is a significant holder of Hui Xian REIT. Accordingly, all of them are connected persons of Hui Xian REIT under the REIT Code. The Sale and Purchase Agreement and the transactions contemplated thereunder thus constitute connected party transactions of Hui Xian REIT under the REIT Code.

Since maximum amount payable by the Purchaser to the Vendors under the Sale and Purchase Agreement, i.e. the Overall RMB Cap, being RMB4,100 million, exceeds 5% of the latest audited NAV of Hui Xian REIT as disclosed in the annual report of Hui Xian REIT for the financial year ended 31 December 2013, as adjusted for any relevant subsequent transactions since its publication, pursuant to 8.11 of the REIT Code and the Trust Deed, the Sale and Purchase Agreement and the transactions contemplated thereunder will require Independent Unitholders' approval by way of an Ordinary Resolution.

The Overall RMB Cap of the Consideration represents approximately 23.4% of the total market capitalisation of Hui Xian REIT based on the average closing price of the Units on the Stock Exchange for the five business days immediately preceding the date of the Sale and Purchase Agreement. As the highest applicable percentage for the Acquisition is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for Hui Xian REIT pursuant to Chapter 14 of the Listing Rules if it is applicable to Hui Xian REIT.

Transitional Administrative Service Agreement and Trademark Licence Agreements

As the counterparties to the Transitional Administrative Service Agreement and the Trademark Licence Agreements, namely 和記黃埔地產管理有限公司重慶分公司 (Hutchison Whampoa Property Management Limited Chongqing Branch) and Hutchison Whampoa Enterprises Limited respectively, are connected persons of Hui Xian REIT under the REIT Code, the transactions contemplated under such agreements constitute connected party transactions of Hui Xian REIT after Completion.

Continuing Connected Party Transactions

After Completion, there will be, and it is likely that there will continue to occur from time to time, on-going transactions between the Hui Xian REIT Group as one party, and any member of the Cheung Kong Connected Persons Group, the REIT Manager Group, the HK Bank Connected Persons Group and the DB Group as a counterparty. Those transactions will either arise as a result of the Acquisition, or involve increased amounts because of the Acquisition. An Ordinary Resolution will be proposed at the EGM to approve, among other things, the Cheung Kong Annual Cap Revision, the Manager Annual Cap Revision and the Manager Leasing Annual Cap Revision.

Waiver in respect of direct employment arrangements of the Chongqing Company after Completion

Based on the Vendors' representations, as at 30 September 2014, the Chongqing Company employed approximately 315 employees in the PRC. For the reasons set out in the section headed "*(M) Implications Under the REIT Code and the Trust Deed – 2. Waiver in respect of direct employment arrangements of the Chongqing Company after Completion*" of the "Letter from the Board" in this circular, the REIT Manager has applied to the SFC for a waiver from strict compliance with the requirements of 7.5(c)(i) of the REIT Code to allow the

Chongqing Company to directly employ (i) the Core Function Employees (currently expected to be not more than 50) after Completion and (ii) the Remaining Employees whose labour contracts and employment relationship with the Chongqing Company have not been effectively terminated on or before the date of Completion.

Number of layers of special purpose vehicles

The REIT Manager has made a submission to the SFC regarding 7.5(d) of the REIT Code to allow of Hui Xian REIT's holding of the Chongqing Property through more than two layers of Special Purpose Vehicles upon Completion subject to the condition that there will be no change to the maximum number of layers of special purpose vehicles used by Hui Xian REIT for holding the Chongqing Property without further approval of the SFC.

Unitholders and potential investors of Hui Xian REIT are reminded that Completion is conditional upon all the Conditions Precedent as referred to in the section headed "*(B) Sale and Purchase Agreement – 6. Conditions Precedent and Termination Rights*" of the "Letter from the Board" in this circular being fulfilled (or, where applicable, waived), and the Acquisition may or may not proceed. Unitholders and potential investors of Hui Xian REIT are advised to exercise caution when dealing in the Units.

HUI XIAN REIT
匯賢產業信託

Hui Xian Real Estate Investment Trust

(a Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong))

(Stock Code: 87001)

Managed by Hui Xian Asset Management Limited
滙賢房託管理有限公司

Directors of the REIT Manager:

Non-executive Directors
Mr. Kam Hing Lam *(Chairman)*
Mr. Ip Tak Chuen, Edmond
Mr. Lim Hwee Chiang
Mr. Yin Ke
(with Mr. Pang Shuen Wai, Nichols as his alternate)

Executive Directors
Mr. Cheung Ling Fung, Tom (*Chief Executive Officer*)
Mr. Lee Chi Kin, Casey

Independent Non-executive Directors
Mr. Cheng Hoi Chuen, Vincent
Professor Lee Chack Fan
Dr. Choi Koon Shum, Jonathan

Registered Office of the REIT Manager:

Unit 303, Cheung Kong Center
2 Queen's Road Central
Hong Kong

10 November 2014

To: Unitholders

Dear Sir/Madam,

(1) CONNECTED PARTY TRANSACTIONS RELATING TO THE PROPOSED ACQUISITION OF THE CHONGQING PROPERTY
(2) CERTAIN CONTINUING CONNECTED PARTY TRANSACTIONS
(3) POSSIBLE ISSUANCE OF MANAGER ACQUISITION FEE UNITS
AND
(4) NOTICE OF EXTRAORDINARY GENERAL MEETING

(A) INTRODUCTION

Reference is made to the Announcement. The purpose of this circular is to (a) provide you with further information regarding the Transaction Matters Requiring Approval; (b) to set out the recommendations of the Independent Board Committee to the Independent Unitholders in relation to the Transaction Matters Requiring Approval; (c) set out the recommendations of the Independent Financial Adviser to the Independent Board

Committee, the Independent Unitholders and the Trustee in relation to the Transaction Matters Requiring Approval; and (d) provide you with the notice of the EGM.

As proposed by the REIT Manager, Hui Xian REIT has conditionally agreed to acquire the entire interest in the Chongqing Property through the acquisition of the Target Company. The Chongqing Property is an integrated commercial property development located at No.68 Zou Rong Road, Yuzhong District, Chongqing, the PRC. More information of the terms and conditions of the Acquisition and information of the Chongqing Property is set out in the sections headed "*(B) Sale and Purchase Agreement*" and "*(C) Information in relation to the Chongqing Property and the Target Group*" below.

(B) SALE AND PURCHASE AGREEMENT

1. Date

10 November 2014

2. Parties

(a) The Purchaser (as purchaser);

(b) Joinpower (as vendor);

(c) Cheerjoy (as vendor);

(d) HWL Guarantor (as guarantor); and

(e) CKH Guarantor (as guarantor).

3. Subject matter of the Acquisition

Pursuant to the Sale and Purchase Agreement, the Purchaser conditionally agreed to acquire or procure its nominee to acquire:

(a) the Sale Shares representing 100% of the total number of issued shares of the Target Company, of which 50% will be acquired from Joinpower and 50% will be acquired from Cheerjoy;

(b) from Joinpower the benefit of and interest in the Joinpower Loan; and

(c) from Cheerjoy the benefit of and interest in the Cheerjoy Loan.

4. Consideration

The total Consideration payable in respect of the Acquisition will be equal to the aggregate of (i) the Adjusted Asset Value of the Target Group as at Completion and (ii) the Final Net Distribution, subject to the Overall RMB Cap (as defined below).

The respective consideration for the Joinpower Loan and the Cheerjoy Loan will be an amount equal to the principal amount of such loan as at Completion, which will be payable by the Purchaser to Joinpower and Cheerjoy respectively in cash in HK$ at Completion.

The Share Consideration will be an amount equal to the HK$ Equivalent of the Adjusted Asset Value as at Completion less the Total Loan Consideration.

Further, the Purchaser will pay to each of the Vendors an amount equal to 50% of the HK$ Equivalent as at the date of Completion of the Final Net Distribution on or before 30 September 2015 in cash.

(a) Adjusted Asset Value of the Target Group

"**Adjusted Asset Value**" refers to the Attributable Value:

(i) plus the current assets of the Target Group as at Completion (such as all receivables (but excluding receivables of the Target Group as at Completion which are in the nature of amortisation for rent free periods under tenancies and licences) from the operation of the Target Group Companies, all refundable utility and other deposits placed with relevant authorities or suppliers in connection with the operation of the Target Group Companies, all cash and deposits at bank and all prepaid operating expenses and, for the avoidance of doubt, excluding the carrying value of the Chongqing Property);

(ii) minus the current and non-current liabilities of the Target Group as at Completion (such as all security deposits in relation to the Chongqing Property (excluding such deposits already forfeited as other income), all rental/licence fees received in advance in relation to the Chongqing Property, all payment due to creditors and accruals of property and other relevant expenses in relation to the operation of the Target Group Companies, all deferred tax liabilities (other than those in relation to the revaluation of the Chongqing Property and the depreciation allowance of the Chongqing Property) and all provision for taxation (including provision for withholding tax on dividend distributions) and the Employment Provision, but excluding the Sale Loans); and

(iii) minus an amount equal to the profit after tax of the Chongqing Company for the period from 1 January 2014 to the date of Completion which remains undistributed as at the date of Completion after deducting therefrom an amount calculated at applicable rate at which the Chongqing Company would be required to allocate out of such profit after tax to the statutory reserve (法定公積金) pursuant to the relevant PRC laws and regulations (the "**Distribution**").

Since the equity interest of the Chongqing Property is proposed to be acquired by Hui Xian REIT through the acquisition of the Target Company, taking into account the present intention of the Hui Xian REIT to hold the Chongqing Property for long-term investment purpose, the REIT Manager considers that it is very unlikely that deferred tax liabilities in relation to the revaluation of the Chongqing Property and the depreciation allowance of the Chongqing Property will crystallise. Therefore, no account has been taken of such deferred tax liabilities in the calculation of the Adjusted Asset Value. For illustration purposes only, the deferred tax liabilities in relation to (i) the revaluation of the Chongqing Property and (ii) the depreciation allowance of the Chongqing Property of the Target Group as at 30 June 2014 were approximately RMB695 million and RMB186 million respectively, based on the audited financial statements of the Target Business for the financial years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014.

As the Existing Bank Loans and Entrusted Loans will be repaid in full prior to Completion, the REIT Manager expects that other than the Chongqing Property, the assets and liabilities of the Target Group at Completion would mainly consist of cash, advanced rental payments and tenants' deposits, which are the usual assets and liabilities of a property holding and leasing company, which the REIT Manager considers not material for disclosure.

(b) Final Distribution and Final Net Distribution

Since the Vendors and the Purchaser have agreed that all earnings of the Chongqing Company up to the date of Completion shall belong to the Vendors, the Distribution will be deducted from the current assets of the Chongqing Company in the calculation of the Adjusted Asset Value. The "**Final Distribution**" is an amount representing the profit after tax of the Chongqing Company for the period from 1 January 2014 to the date of Completion which remains undistributed as at the date of Completion as shown in the income statement of the Chongqing Company for the period from 1 January 2014 to the date of Completion as audited by the Certifying Accountants and deducting therefrom an amount of statutory reserve (法定公積金) calculated at a rate at which the Chongqing Company is required to allocate out of such profit after tax to the statutory reserve pursuant to the relevant PRC laws and regulations. The "**Final Net Distribution**" refers to the Final Distribution, after deducting therefrom the amount of withholding tax payable on the Final Distribution upon the distribution of the Final Distribution by the Chongqing Company according to the relevant PRC laws and regulations and any applicable tax treaties, which will be paid to the Vendors as part of the Consideration. The introduction of the "Final Net Distribution" is to ensure that the withholding tax arising from the distribution of the Final Distribution will be borne by the Vendors.

The Attributable Value of RMB3,910 million, which is a value attributable to the Chongqing Property as agreed between the Vendors and the Purchaser for the purpose of the Sale and Purchase Agreement, represents a discount of approximately 4.7% to the Appraised Value of the Chongqing Property of RMB4,104 million as at 31 August 2014. The Attributable Value has been determined on the basis of commercial and arm's length negotiations between the parties, taking into account the information and particulars relating to the Chongqing Property, the Appraised Value and the terms of the Sale and Purchase Agreement. The Deed of Income Guarantee has not been taken into account in the course of the Independent Property Valuer's valuation of the Chongqing Property, which the REIT Manager considers is more prudent.

The fair value of the Chongqing Property as at 31 December 2011, 2012 and 2013, as shown in the accountant's report in Appendix I "*Accountant's Report in respect of the Target Business*" to this circular which was prepared based on information received from the Vendors, were determined by another independent property valuer principally on the basis of capitalisation of the rental income derived from the Chongqing Property. The valuation as at 31 December 2013 as appraised by that independent property valuer was RMB2,500 million which was lower than the valuation as at 30 June 2014 of RMB4,103 million as appraised by the Independent Property Valuer. Having discussed with the Independent Property Valuer, the REIT Manager was given to understand that the difference in valuation was principally driven by the difference in assumptions, including the average rental rate and capitalisation rates. **Accordingly, the difference in the amount of RMB1,603 million in the independent valuations of the Chongqing Property as at 31 December 2013 and as at 30 June 2014 was primarily due to the respective valuations being based on different assumptions. As such, investors should not rely on such difference in valuation as an indication of any upward trend of the market.**

The Vendors will arrange for the Target Company to provide to the Purchaser prior to Completion a pro forma consolidated balance sheet of the Target Group as at the date of Completion (the "**Pro Forma Completion Balance Sheet**") based on the management accounts of each of the Target Group Companies as at, and the income statement of the Chongqing Company (the **"Pro Forma CQ Completion Income Statement")** for the period from 1 January 2014 to the last date of, the latest month end preceding the due date for such delivery (the "**Original Pro Forma Date**") or if the due date for such delivery falls on or before the 20th day of a month, then the management accounts of each of the Company and the Chongqing Company as at, and the income statement of the Chongqing Company for the period from 1 January 2014 to, the month end day preceding the Original Pro Forma Date. The Pro Forma Completion Balance Sheet will state the Adjusted Asset Value as at the date of Completion (the "**Pro Forma Adjusted Asset Value**"), after taking into account a number of agreed adjustments and the items in the Pro Forma CQ Completion Income Statement shall be extracted from the corresponding items in the management accounts of the Target Group Companies and the income statement the Chongqing Company as mentioned above.

Pursuant to the Sale and Purchase Agreement, the Pro Forma Completion Balance Sheet and the audited Completion Balance Sheet (collectively, the "**Completion Accounts**"), based on which the Pro Forma Adjusted Asset Value and the Adjusted Asset Value will be derived from, will follow the accounting policies of the Target Company for the year ended 31 December 2013. The REIT Manager understands that it is the Chongqing Company's accounting policy that the withholding tax arising from undistributed earnings would only be booked at the time the distribution is made instead of making a withholding tax provision for possible future distribution of earnings. As such, the Completion Accounts will not include any withholding tax provision relating to undistributed earnings of the Chongqing Company and the withholding tax will not be double counted.

At Completion, the Purchaser shall pay each of the Vendors an amount equal to 50% of the HK$ Equivalent (calculated as at 15 Business Days before the date of Completion) of the Pro Forma Adjusted Asset Value less the Total Loan Consideration as an initial amount of the Share Consideration (such amount referred to as the "**Initial Share Consideration**").

Within 150 days after Completion, the Vendors will prepare the income statement of the Chongqing Company for the period from 1 January 2014 to the date of Completion and the Completion Balance Sheet, both of which will be audited by the Certifying Accountants and the Certifying Accountants will provide a certified statement (the "**Certified Statement**") of the amount equal to the HK$ Equivalent on the date of Completion of the Adjusted Asset Value as at the date of Completion less the Total Loan Consideration (the "**Certified Sum**") and a certified statement of the Final Distribution and the Final Net Distribution, on the basis of which:

(i) if the Certified Sum is higher than the Initial Share Consideration, the Purchaser will pay to each of the Vendors an amount equal to 50% of such excess amount; and

(ii) if the Certified Sum is lower than the Initial Share Consideration, each of the Vendors will refund to the Purchaser an amount equal to 50% of such shortfall amount,

provided that:

(1) if the RMB Equivalent as at the date of Completion of the Certified Sum and the Total Loan Consideration in aggregate exceeds or equals to RMB4,100 million (the "**Overall RMB Cap**"), then the Purchaser shall only be required to pay to each of the Vendors an amount in HK$ equal to 50% of the excess of the HK$ Equivalent as at the date of Completion of the Overall RMB Cap over the aggregate of the Initial Share Consideration and the Total Loan Consideration, and the amount of the Consideration shall be limited accordingly, and the Final Net Distribution shall not be payable by the Purchaser to the Vendors; and

(2) if the RMB Equivalent as at the date of Completion of the Certified Sum and the Total Loan Consideration in aggregate is less than the Overall RMB Cap, then the maximum amount payable by the Purchaser to each of the Vendors pursuant to paragraph (a) above shall be limited to an amount in

HK$ equal to 50% of the excess of the HK$ Equivalent as at the date of Completion of the Overall RMB Cap over the aggregate of the Initial Share Consideration and the Total Loan Consideration, and the amount of the Consideration shall be limited accordingly.

On or before 30 September 2015, the Purchaser shall pay to each of the Vendors an amount equal to 50% of the HK$ Equivalent as at the date of Completion of the Final Net Distribution in cash, but in the event that the RMB Equivalent as at the date of Completion of the Certified Sum and the Total Loan Consideration in aggregate is less than the Overall RMB Cap but the RMB Equivalent as at the date of Completion of (i) the Certified Sum, (ii) the Total Loan Consideration and (iii) the Final Net Distribution as certified by the Certifying Accounting in aggregate exceeds or equals to the Overall RMB Cap, then the amount which the Purchaser shall pay to each of the Vendors shall be an amount in HK$ equal to 50% of the excess of the HK$ Equivalent as at the date of Completion of the Overall RMB Cap over the aggregate amount of the Certified Sum and the Total Loan Consideration, and the amount of the Consideration shall be limited accordingly.

The REIT Manager will announce the respective amounts of the Initial Share Consideration, the Certified Sum and the Final Net Distribution after the relevant amount has been finalised.

5. Completion

Where the date on which all of the Conditions Precedent have been fulfilled or (where applicable) waived is before 29 December 2014, the Acquisition is to be completed on (a) 29 December 2014, or (b) such other date (not being later than the Long Stop Date) as may be agreed between the Vendors and the Purchaser. Where the date on which all of the Conditions Precedent have been fulfilled or (where applicable) waived is on or after 29 December 2014, the Acquisition is to be completed on (a) the 10th Business Day after the fulfilment (or, where applicable, waiver) of all the Conditions Precedent, or (b) such other date (not being later than the Long Stop Date) as may be agreed between the Vendors and the Purchaser.

The REIT Manager currently expects that Completion will take place in or around late December 2014 or early 2015, of which Unitholders will be informed by way of an announcement.

6. Conditions Precedent and Termination Rights

Completion is conditional upon the fulfilment (or waiver) of a number of Conditions Precedent, which are summarised below:

(a) the approval by the Independent Unitholders by way of a poll, in accordance with the REIT Code and the Trust Deed, of the Sale and Purchase Agreement and the other Transaction Documents, and the transactions contemplated thereunder;

(b) obtaining the relevant waivers from the SFC and approvals of the Independent Unitholders at a general meeting of Hui Xian REIT in respect of the various connected party transactions of Hui Xian REIT as more particularly described in the sections headed "*Continuing Connected Party Transactions" and* "*Implications Under the REIT Code and the Trust Deed – 1. Connected Party Transactions*" of the Announcement, other than the waivers described in the section headed "*Continuing Connected Party Transactions – 2. New waiver in respect of connected party transactions with the HK Bank Connected Persons Group*" of the Announcement;

(c) all of the Entrusted Loans having been repaid and settled in full;

(d) all of the Existing Bank Loans having been repaid and settled in full, all underlying security relating thereto having been fully discharged and released, and all relevant registration procedures relating to the discharge and release of all such underlying security having been completed;

(e) the licences, authorisations, orders, grants, confirmations, consents, permissions, registrations and other approvals necessary (if any) for or in respect of the Acquisition and the Transaction Documents (and the transactions thereunder) having been obtained from third parties (including governmental or official authorities, courts or other regulatory bodies) on terms reasonably satisfactory to the REIT Manager, and such licences, authorisations, orders, grants, confirmations, consents, permissions, registrations and other approvals remaining in full force and effect; and

(f) new banking facilities of an amount not less than HK$4,000 million or RMB3,128 million being in place and available for drawdown by the Purchaser or the Hui Xian REIT Group.

Under the Sale and Purchase Agreement, the Conditions Precedent in items (a) and (b) above cannot be waived. Except those, the Purchaser may (to the extent permitted by the REIT Code, the Listing Rules and other applicable laws, rules and regulations) in its absolute discretion at any time before Completion waive in whole or in part any or all of the Conditions Precedent (except the Conditions Precedent in items (a) and (b) above) by notice in writing to the Vendors.

If any of the Conditions Precedent is not fulfilled or waived by the Purchaser on or before the Long Stop Date, the Sale and Purchase Agreement will lapse and be of no further effect.

If, at any time on or before Completion, certain specified government acquisition or resumption event occurs in respect of the whole or any material part of the land use rights or building ownership rights of or relating to the Chongqing Property, the Purchaser may in its absolute discretion (i) terminate the Sale and Purchase Agreement or (ii) elect to effect Completion (such Completion will be subject to compliance with the REIT Code and obtaining the SFC's approval and/or waiver (if required)) subject to an adjustment to the Adjusted Assets Value payable which shall take into account the diminution in value of the Chongqing Property caused by the aforementioned acquisition or resumption event concerned, and all the compensation, allowance or other fees recovered or recoverable from the relevant government authority in respect of the aforementioned acquisition or resumption event concerned.

If prior to Completion any of the warranties was, when given, or will be or would be, at Completion, not complied with or otherwise untrue or misleading in any material respect, and which will have a material adverse effect on the financial condition, earnings, business, undertaking or assets of the Target Group and/or on the Chongqing Property (in each case, taken as whole), the Purchaser may terminate the Sale and Purchase Agreement. Accordingly, in the event that the Chongqing Company does not have good title to the Chongqing Property, the Purchaser will be able to terminate the Sale and Purchase Agreement notwithstanding that good title to the Chongqing Property is not a condition precedent to the Acquisition.

7. Representations, Warranties and Indemnities

The Sale and Purchase Agreement contains certain customary representations and warranties given by each of the Vendors severally in respect of their respective Sale Shares and Sale Loans and in respect of the Target Group and the Chongqing Property. Such representations and warranties include, among others, that: (i) the relevant Sale Shares and the Sale Loans are, and will at Completion be, legally and beneficially owned by the respective Vendors free from all encumbrances; (ii) the Chongqing Company will at Completion be the sole registered legal owner of the land use rights and building ownership rights underlying the Chongqing Property free from all encumbrances save for the tenancies; (iii) the Chongqing Company has a good title to the whole of the Chongqing Property; and (iv) the Chongqing Property is in good and substantial repair and condition in all material respects and is fit for purpose for which it is presently used.

(a) Limitation of time

No claim ("**Relevant Claim**") relating to a breach of any of the representations and warranties given by the Vendors ("**Warranties**") shall be brought by the Purchaser against any other party to the Sale and Purchase Agreement under or in respect of any of the warranties unless written notice of the Relevant Claim has been given to that other party on or before the end of the Limitation Period after the date of Completion with "**Limitation Period**" being 21 months, save and except that:

(i) if the Relevant Claim is made in connection with the Warranties relating to tax or any of them, the Limitation Period shall be 7 years; and

(ii) no claim shall be brought by the Purchaser against any other party to the Sale and Purchase Agreement under or in respect of the Circular 698 Obligations unless written notice of the claim has been given to that other Party on or before the expiry of 7 years after the date of Completion.

The limitation of time mentioned above will not apply to any claim relating to (i) the Hotel Transfer, (ii) the Employment Liabilities, or (iii) the Relevant Matters (as defined in the section headed "*(C) Information in relation to the Chongqing Property and the Target Group – 1. Information on the Chongqing Property – (d) The Chongqing Property, the Chongqing Hotel and certain issues relating to areas*" below).

(b) Limitation of amounts

The aggregate liability of the Vendors and the Guarantors in respect of all claims under or in connection with the Transaction Documents (other than claims relating to the Hotel Transfer and any Area Issue, in relation to which, there will be no limitation on the maximum liability of the Vendors and the Guarantors) is subject to a maximum amount equal to the amount of the Consideration or the Overall RMB Cap, whichever is the lower amount.

The above limitation period and limits of claims are considered by the REIT Manager as acceptable, on normal commercial terms following arm's length negotiations between the relevant parties, fair and reasonable, and are in the interests of Hui Xian REIT, the Independent Unitholders, as well as Unitholders as a whole.

Under the Sale and Purchase Agreement, no claim shall be brought by the Purchaser against any other party to the Sale and Purchase Agreement relating to a breach of the Warranties unless (a) each single claim exceeds RMB200,000 or its equivalent in other currency or currencies and (b) the claims in aggregate exceeds RMB1,000,000 or its equivalent in other currency or currencies, in which case that party shall be liable for the whole amount of the claim or claims and not only for the excess over RMB1,000,000, however such limitation will not apply to any claims in respect of or otherwise relating to the Employment Liabilities, the warranties given by the Vendors under the Sale and Purchase Agreement in relation to employment matters, the Hotel Transfer or the Circular 698 Obligations.

The Vendors shall, severally in equal proportion, indemnify and hold harmless the Purchaser (on behalf of itself and on trust for all members of the Hui Xian REIT Group) and the Target Group Companies against all claims, liabilities, losses, expenses and costs incurred in connection with (a) the Hotel Transfer; and/or (b) Highsmith Limited having owned and/or operated directly or indirectly the Chongqing Hotel.

8. Guarantee

Under the Sale and Purchase Agreement, HWL Guarantor has guaranteed the proper and punctual performance by Joinpower of all its obligations under or pursuant to the Sale and Purchase Agreement and CKH Guarantor has guaranteed the proper and punctual performance by Cheerjoy of all its obligations under or pursuant to the Sale and Purchase Agreement.

9. Deed of Income Guarantee

For the reasons set out in the section headed "*(D) Reasons for and Benefits of the Acquisition – 1. Iconic landmark property to be acquired at favourable terms – (d) Attractive income level, with further certainty from Deed of Income Guarantee*" below, the Vendors agreed to deliver to the Purchaser the Deed of Income Guarantee at Completion, under which each of the Vendors shall guarantee to the Purchaser that Chongqing Company's Total Income shall not be less than RMB299.28 million per annum ("**Guaranteed Income Level**") in each of the five financial years ending 31 December 2014, 2015, 2016, 2017 and 2018 (if Completion takes place in 2014), or each of the five financial years ending 31 December 2015, 2016, 2017, 2018 and 2019 (if Completion takes place in 2015) (the "**Relevant Period**", and each year referred to as a "**Guaranteed Year**").

The Guaranteed Income Level has been determined on the basis of commercial and arm's length negotiations between the parties, after taking into account the historical performance of the Chongqing Property and various factors.

If the aggregate amount of the Total Income of Chongqing Company in respect of any Guaranteed Year is less than the Guaranteed Income Level (such shortfall referred to as the "**Income Shortfall**"), each of the Vendors will pay to the Purchaser 50% of the HK$ Equivalent as at 31 December of that financial year of the Income Shortfall. If the Total Income exceeds the Guaranteed Income Level, the Purchaser will be entitled to the benefit of the surplus absolutely. Such payment obligation of the Vendors under the Deed of Income Guarantee shall not arise until the Purchaser has fulfilled its obligation, if any, under the Sale and Purchase Agreement to pay the Final Net Distribution to the Vendors.

The total amount of all payments to be made by the Vendors to meet the Income Shortfalls during the entire Relevant Period will be subject to a maximum amount of RMB100 million (the "**Income Guarantee Cap**").

The Income Shortfall will initially be determined on the basis of the unaudited management accounts of the Chongqing Company for the relevant Guaranteed Year, and if the Total Income as shown in such accounts for any Guaranteed Year (the "**Unaudited Income**") is less than the Guaranteed Income Level, each Vendor shall within 30 days after the computation is delivered to the Vendors pay to the Purchaser 50% of the difference between the Unaudited Income and the Guaranteed Income Level. The Income Shortfall will then be finally determined on the basis of the audited accounts of the Chongqing Company. If the Total Income as shown in the audited accounts of the Chongqing Company for any Guaranteed Year ("**Audited Income**") is different from the Unaudited Income, appropriate adjustment payments will be made between the Vendors and the Purchaser based on the difference between the Unaudited Income and the Audited Income, such payments to be made within 30 days after the computation and certification by the auditors.

The obligations of Joinpower and Cheerjoy under the Deed of Income Guarantee will be guaranteed by HWL Guarantor and CKH Guarantor respectively.

For the avoidance of doubt, if the Total Income for any Guaranteed Year exceeds the Guaranteed Income Level for that Guaranteed Year: (a) Hui Xian REIT shall have no obligation to pay the excess to the Vendors; and (b) no credit shall be allowed, and no adjustment shall be made, in respect of such excess when calculating the Income Shortfall for any other Guaranteed Year.

After taking into account the historical income generated by the Chongqing Property in the year ended 31 December 2013 and the 6 months ended 30 June 2014, as well as the prevailing market trend including information provided by the Independent Property Valuer and the Market Consultant, the REIT Manager is of the view that it is unlikely that the Income Guarantee Cap will be used up during the Relevant Period. **Unitholders and other investors should note that, the Income Guarantee Cap (that is, RMB100 million) will effectively be an upper limit on the total payment obligations of the Vendors under the Deed of Income Guarantee in respect of the Income Shortfalls, and that once the total amount of the payments made to meet Income Shortfalls reached the Income Guarantee Cap, the Vendors (and the Guarantors) will have no further liability or payment obligations under the Deed of Income Guarantee in respect of Income Shortfalls during the Relevant Period or the remaining part of it.**

In the event that, during the Relevant Period, either (a) the entirety of the Chongqing Property has ceased to be owned by the Hui Xian REIT Group or (b) the Chongqing Company ceases to be owned or controlled by the Hui Xian REIT Group ("**Ownership Cessation**"), the Relevant Period will expire on the date of the Ownership Cessation and the Income Shortfall in respect of the Relevant Period (as shortened) will remain payable by the Vendors provided that for the purpose of calculating whether there is any Income Shortfall for the last Guaranteed Year (as shortened): (i) the Guaranteed Income Level shall be calculated on a pro rata basis with such shortened period, and (ii) the Total Income to be used for such calculation shall be the Total Income in respect of such shortened period and no payment for the Income Shortfall in respect of any period after the Ownership Cessation will be payable by the Vendors.

The amount payable by the Vendors to meet any Income Shortfall including the details thereof will be announced as soon as practicable after the relevant payment has been determined (including, without limitation, by way of results announcement, where appropriate) and will be disclosed in the next published annual report of Hui Xian REIT or (if the relevant payment could only be determined after the finalisation of such annual report) the next published interim report of Hui Xian REIT. Moreover, an opinion from the independent non-executive Directors as to whether the Vendors have fulfilled their payment obligations to meet the Income Shortfall will be included in the next published annual report of Hui Xian REIT or (if the due date for the payment to meet the relevant Income Shortfall falls after the finalisation of such annual report) the next published interim report of Hui Xian REIT.

10. Deed of Tax Covenant

Under the Sale and Purchase Agreement, the Vendors are required to deliver to the Purchaser the Deed of Tax Covenant at Completion, under which each of the HWL Indemnifiers on the one part and the Cheung Kong Indemnifiers on the other part will severally covenant to indemnify the Purchaser 50% of (among others):

(i) any liability to taxation (including but not limited to profits tax, enterprise income tax, stamp duty, rates, penalties and others) falling on any Target Group Companies or in respect of the Chongqing Property resulting from or by reference to any transactions, events or matters that occurred or effected on or before the date of Deed of Tax Covenant or in respect of any gross receipts, income, profits or gains earned, accrued, received by any Target Group Company on or before the date of the Deed of Tax Covenant;

(ii) any and all liability of any Target Group Companies for or in respect of taxation resulting from or in connection with (a) the transfer of any Sale Shares or assignment of any benefit of and interest in the Sale Loans or any part thereof or (b) the Hotel Transfer (including but not limited to any tax liabilities and any amounts which may be charged or imposed by any PRC tax authorities on any Target Group Companies pursuant to or in connection with Circular 698 (AA) as it was in force at the date of Completion or (BB) as it is deemed to have been in force at the date of Completion by virtue of an amendment to or re-enactment of Circular 698 issued within 7 years of the date of Completion but, for item (a), excluding any liability for stamp duty); and

(iii) any losses and any reasonable costs (including legal and professional costs) and expenses incurred by the Target Group Companies or the Purchaser in connection with any tax liability giving rise to a claim under the Deed of Tax Covenant.

No claim shall be brought by the Purchaser under the Deed of Tax Covenant unless written notice of the claim has been given to the Vendors on or before the expiry of 7 years after the date of the Deed of Tax Covenant (i.e. the date of Completion) provided that the aforesaid limitation shall not apply to any claim in respect of or otherwise relating to the Hotel Transfer.

The aggregate maximum liability of the Vendors and the Guarantors in respect of all claims under or in connection with the Transaction Documents (other than the liabilities of any Target Group Companies in respect of taxation resulting from or in connection with the Hotel Transfer as undertaken by the Vendors under the Deed of Tax Covenant and the liabilities undertaken by the Vendors pursuant to the Sale and Purchase Agreement in relation to Area Issues, in relation to each of which, there shall not be any limitation on the maximum liability of the Vendors) shall not exceed the amount of the Consideration or RMB4,100,000,000, whichever is the lower amount.

No claim under the Deed of Tax Covenant shall be brought by the Purchaser unless (a) each of such claim exceeds RMB200,000 or its equivalent in other currency or currencies; and (b) the claims in aggregate exceed RMB1,000,000 or its equivalent in other currency or currencies, in which case, the Vendor(s) shall be liable for the whole amount of claim and not only for the excess over RMB1,000,000. Such limitation in claim will not apply to a claim relating to the Hotel Transfer or the Circular 698 Obligations.

11. Chongqing Property Manager Agreement and New Chongqing Property Management Agreement

(i) Chongqing Property Manager Agreement

It is intended that the Chongqing Property Manager Agreement will take effect on the date of Completion, pursuant to which the Chongqing Property Manager will be appointed as the property manager in respect of the Chongqing Property and will provide business advisory and management services, marketing and lease management services and property management co-ordination services. The Chongqing Property Manager will be fully reimbursed by the Chongqing Company for (i) the employment costs and remuneration of the personnel provided or procured by the Chongqing Property Manager engaged solely and exclusively for the provision of its services relating to the Chongqing Property; and (ii) management expenses incurred by the Chongqing Property Manager on the Chongqing Property including but not limited to the costs and expenses incurred under contracts entered into with third party service providers by the Chongqing Property Manager (as agent for the Chongqing Company) at the request of the Chongqing Company for the provision of cleaning, maintenance, security, car park management and other services for the Chongqing Property.

The transactions contemplated under the Chongqing Property Manager Agreement will constitute continuing connected party transactions of Hui Xian REIT under the REIT Code after Completion. Please refer to the section headed "*(L) Continuing Connected Party Transactions – 1. Annual Caps Revisions – (b) Property manager services in respect of the Chongqing Property with the REIT Manager Group and leasing arrangements in respect of the Chongqing Property with the REIT Manager Group*" of the "Letter from the Board" in this circular for further details in this regard.

(ii) New Chongqing Property Management Agreement

With effect from Completion, the Existing Chongqing Property Management Agreement will be terminated and the New Chongqing Property Management Agreement will take effect, pursuant to which the New Chongqing Property Management Company will be engaged to provide cleaning, security, patrolling, maintenance and other building management services with respect to the Chongqing Property. The New Chongqing Property Management Company will be entitled to receive from the Chongqing Company a service fee of RMB27,500 per month. In addition to its fees, the New Chongqing Property Management Company will be fully reimbursed by the Chongqing Company for direct costs and expenses (including tax) incurred solely and exclusively for the purpose of performance of its obligations under the New Chongqing Property Management Agreement to the extent set out in the annual budget which will be provided to, and agreed by, the Chongqing Company.

The transactions contemplated under the New Chongqing Property Management Agreement will constitute continuing connected party transactions of Hui Xian REIT under the REIT Code after Completion. Please refer the section headed "*(L) Continuing Connected Party Transactions – 1. Annual Caps Revisions – (a) Property management arrangements in respect of the Chongqing Property with the Cheung Kong Connected Persons Group*" of the "Letter from the Board" in this circular for further details in this regard.

12. Transitional Administrative Service Agreement

As mentioned in the section headed "*(C) Information in relation to the Chongqing Property and the Target Group – 2. Information on the Target Group"* of the "Letter from the Board" in this circular, under the Sale and Purchase Agreement, the Vendors shall procure that all labour contracts and employment relationship between the Chongqing Company and all its Employees shall have been effectively terminated on or before the date of Completion.

It is intended that, the Transitional Administrative Service Agreement will take effect on the date of Completion, pursuant to which the Administrative Service Provider will

(i) provide advisory services in relation to human resources, administration, property management and financial, legal and other matters to the Chongqing Company for a period of 6 months commencing from the date of the Transitional Administrative Service Agreement. The Administrative Service Provider will be entitled to receive a service fee of RMB170,000 per month during such period; and

(ii) allow the Chongqing Company to use certain computer programmes for operations and provide relevant support services for a period of 12 months commencing from the date of the Transitional Administrative Service Agreement at a fee of RMB276,000.

13. Trademark Licence Agreements

Under the Sale and Purchase Agreement, the Vendors are required to deliver to the Purchaser at Completion the Trademark Licence Agreements under which HWEL will license to the Chongqing Company at no cost the use of the Trade Marks for the Chongqing Property until the expiry of the term of registration of the Trade Marks on 13 July 2015, 13 November 2020, 27 October 2020 and 6 September 2021 respectively. HWEL will undertake under the Trademark Licence Agreements to use its best efforts to extend the registration of the relevant Trade Marks upon expiration and will thereafter enter into new trademark license agreements with the Chongqing Company on terms same as the Trademark Licence Agreements.

The Trademark Licence Agreements will automatically terminate in the following circumstances:

(a) the Chongqing Company no longer owns the Shopping Mall and Office Building;

(b) the Chongqing Company defaults under the Trademark Licence Agreements and infringes the Trade Marks, and fails to rectify the same within 30 days after being requested to do so in writing by HWEL;

(c) the Chongqing Company becomes insolvent or is wound-up or is under dissolution, merger or restructuring or there is material change to its credit position; or

(d) the registration of the Trade Marks being ineffective or withdrawn otherwise than due to negligence or fault of the Chongqing Company.

(C) INFORMATION IN RELATION TO THE CHONGQING PROPERTY AND THE TARGET GROUP

1. Information on the Chongqing Property

(a) Description of the Chongqing Property

The Target Company is a Hong Kong incorporated company which owns the entire interest in the Chongqing Company, a wholly foreign-owned limited liability company (有限責任公司(台港澳法人獨資)) established in the PRC, which in turn is the registered legal owner of the land use rights and building ownership rights underlying the Chongqing Property. The Chongqing Property is an integrated commercial property development comprising (i) the Shopping Mall, a 12-storey shopping mall (inclusive of 353 car park spaces) currently called "Metropolitan Plaza 大都會廣場" and (ii) the Office Building, a 37-storey Grade A office building currently called "Metropolitan Tower 大都會商廈". The Chongqing Property has a total GFA of approximately 164,360 sq. m.

A simplified holding structure of the Chongqing Property as at the Latest Practicable Date and a simplified expected holding structure of the Chongqing Property immediately after Completion are represented in the section headed "*(C) Information in relation to the Chongqing Property and the Target Group – 3. Current and Expected Holding Structures*" of the "Letter from the Board" in this circular.

Knight Frank Petty Limited, the current principal valuer of Hui Xian REIT, has been appointed as an independent property valuer to appraise the value of the Chongqing Property for the purpose of the Acquisition. The value of the Chongqing Property as appraised by the Independent Property Valuer as at 31 August 2014 was RMB4,104 million.

The PRC legal adviser of the REIT Manager, Jincheng Tongda & Neal, has advised that the Chongqing Company has legally obtained the state-owned land use rights in respect of the Chongqing Property, it is the registered legal owner of the land use rights and building ownership rights underlying the Chongqing Property, and it has legal ownership of the Shopping Mall and Office Building and can legally own, use and deal with such properties in accordance with the relevant PRC laws. The PRC legal adviser of the REIT Manager had also advised that the Chongqing Company is the sole owner of the land use rights and building ownership rights underlying the Chongqing Property and that such rights are free from encumbrances other than the existing mortgages and tenancies. The Chongqing Property is currently subject to mortgage for purpose of securing certain of the Existing Bank Loans, but it is a Condition Precedent that the Existing Bank Loans be repaid and settled in full and all underlying securities relating thereto be fully discharged and released. The PRC legal adviser of the REIT Manager had advised that upon the discharge and release of such mortgages, the Chongqing Company is free to sell or otherwise transfer the Chongqing Property. Based on the above advice of its PRC legal adviser, the REIT Manager is of the view that the Chongqing Company has good, marketable, legal and beneficial title to the Chongqing Property.

(b) Location

(i) About Chongqing

Located in southwest China at the confluence of Yangtze River and Jialing River, Chongqing shares its borders with the provinces of Hubei, Hunan, Guizhou, Sichuan and Shaanxi. Chongqing covers an area of almost 83,000 square kilometres, and has a growing population of over 33 million. It is the most populous and largest city by area in China. It also has a long history of cultural and political significance spanning more than 3,000 years.

As one of the four direct-controlled municipalities (and the only one within inland China) that reports directly to the Central Government of the PRC, and a critical transportation and industrial hub within interior China, Chongqing is well positioned to benefit from China's strategies and policies targeted at boosting the economy of inland parts of the country, which endeavour to elevate the economic status of interior China to levels comparable to the eastern, coastal regions.

Acclaimed as "China's Chicago", it is the only mega city in inland parts of China with access to all four modes of transport: rail, river, road and air. Its strategic location and well developed infrastructure system renders the city an economic, financial, manufacturing and logistics hub that connects China's inland to the east coast and the rest of the world.

Chongqing is one of China's fastest growing local economies. In 1H2014, Chongqing's GDP reached RMB644 billion, up 10.9% year-on-year, the highest growth rate amongst all key cities in China. Similarly, urban disposable income and retail sales grew at 9.6% and 13.1% year-on-year respectively in 1H2014. In 2013, foreign direct investment in Chongqing was US$4.14 billion, representing a 34.3% year-on-year growth. Chongqing's economic growth is also boosted by rapid urbanisation. Currently there are seven million inhabitants living in the core city area of Chongqing, and it is expected to reach twelve million in 2020.

Strong job creation, productivity gains and rapid urbanisation have boosted wages and increased retail consumption. Chongqing's retail sales in 2013 was RMB451 billion (more than seven-fold increase since 2000), and ranked 4th nationally, only behind Shanghai, Beijing and Guangzhou.

(ii) Surrounding Environment

The Chongqing Property is located at the Jiefangbei, Yuzhong District, Chongqing, which is a well-established central business district ("**CBD**"). The Jiefangbei CBD was officially designated by the Chongqing Municipal Government as the commercial and trade centre of Chongqing in 2003. Jiefangbei CBD features a pedestrian street around the Jiefangbei Monument, currently called Jiefangbei Pedestrian Street. Established in 1997, the Jiefangbei Pedestrian Street was the first commercial pedestrian street project in China. The Jiefangbei Pedestrian Street boasts robust foot traffic with 300,000 visitations per day during weekdays and over 1 million visitations per day during holidays. It features a number of shopping malls and is a popular shopping area as well as a tourist destination. The Jiefangbei CBD is also considered to be the most important business centre in Chongqing. As of the second quarter of 2014, approximately 62% of quality offices in Chongqing in terms of GFA are located in the Jiefangbei CBD.

In terms of transportation options, the Chongqing Property is located within close proximity to three existing Chongqing Rail Transit ("**CRT**") stations – the Linjiangmen Station (臨江門站), the Jiaochangkou Station (較場口站), and the Xiaoshizi Station (小什字站) connecting to Line 1 and Line 2 of CRT. In addition, the upcoming Line 6 and Line 10 of CRT will have stations in close proximity to the Chongqing Property and near the Jiefangbei CBD respectively. Line 6 and phase 1 of Line 10 are expected to be operational by 2016 and 2017 respectively.

(c) Key Information

The table below sets out certain key information on the Chongqing Property as at 31 August 2014, unless otherwise indicated.

Address	No.68 Zou Rong Road, Yuzhong District, Chongqing, the PRC
Commencement of operations	Shopping Mall : 1997 Office Building : 1998
Terms of land use rights	From 30 August 1994 to 30 August 2044
GFA (approximate)	Shopping Mall : 109,743 sq. m. (area inclusive of 353 car park spaces) Office Building : 54,617 sq. m. **Total:** : 164,360 sq. m.
Lettable Area (excluding car park spaces)	Shopping Mall : 58,705 sq. m. Office Building : 50,505 sq. m. **Total:** : 109,210 sq. m.
GFA (approximate) of each typical floor of the Office Building *(Note 1)*	From 1,679 sq. m. to 1,984 sq. m.

Number of tenants	Shopping Mall (excluding tenants of car park spaces) : 114 Office Building : 151
Average monthly rent per leased sq. m. for Shopping Mall (excluding car park spaces)	approximately RMB295
Average monthly rent plus monthly commercial service fee per leased sq. m. for Office Building	approximately RMB120
Average monthly income per car park space for the 12 months ended 31 August 2014	approximately RMB710
Occupancy rate *(Note 2)*	Shopping Mall (excluding car park spaces) : approximately 92.5% Office Building : approximately 97.3%
Revenue and rental-related income for the six months ended 30 June 2014 *(Note 3)*	approximately RMB141 million
NPI for the six months ended 30 June 2014	approximately RMB89 million
Summarised expiry profile of existing tenancies	*Year* — *% of leased area (approximate) in respect of which existing tenancies are to expire*
1. Shopping Mall (excluding car park spaces)	2014 — 3.6% 2015 — 7.0% 2016 — 19.5% 2017 and beyond — 69.9% Total — 100%
2. Office Building	2014 — 9.8% 2015 — 35.0% 2016 — 34.4% 2017 and beyond — 20.8% Total — 100%
Appraised Value	RMB4,104 million

Note: 1. Typical floors of the Office Building are the 9th to 13th floors, 15th to 23rd floors, 25th to 33rd floors, and 35th to 36th floors

2. The occupancy rate is calculated based on the occupied Lettable Area over the total Lettable Area. As at 31 August 2014, approximately 2.7% and 4.0% of the total Lettable Area of the Shopping Mall and the Office Building respectively were occupied by companies associated with the Vendors without formal tenancy documentation, and has been included as occupied Lettable Area above but no account has been taken of such area in calculating the number of tenants, gross revenue and the summarised expiry profile information stated above. It is proposed that, upon Completion, part of such area in the Office Building (which represents approximately 3.5% of the total Lettable Area of the Office Building) will continue to be used by companies associated with the Vendors with formal tenancy/lease agreements to be entered into at or prior to Completion, and the remaining Lettable Area in the Shopping Mall and the Office Building occupied by companies associated with the Vendors without formal tenancy documentation will be vacated and handed over to the Chongqing Company at Completion.

3. The percentage of revenue and rental-related income from connected persons of Hui Xian REIT for the six months ended 30 June 2014 was approximately 1.8%.

(d) The Chongqing Property, the Chongqing Hotel and certain issues relating to areas

Previously, the same State-owned land use right grant contract (the "**Original Grant Contract**") covered both the plot of land on which the Chongqing Property was built and the plot of land on which the Chongqing Hotel was built, but subsequently, such contract was split into two, with one State-owned land use rights grant contract covering the plot of land on which the Chongqing Property was built (the "**Chongqing Property Grant Contract**") and another covering the plot of land on which the Chongqing Hotel (which does not form part of the subject of the Proposed Acquisition) was built. In the course of negotiations with the Vendors and the REIT Manager's due diligence review on the Chongqing Property, the REIT Manager noted that (1) the area as stated in the building ownership certificates (房屋所有權證) covering the Chongqing Property (the "**Chongqing Property Building Certificates**") appears to exceed the total construction area stated in the Chongqing Property Grant Contract by approximately 3,000 sq. m., but when such area stated in the Chongqing Property Building Certificates is aggregated with the area stated in the building ownership certificate covering the Chongqing Hotel, it appears that the total area is less than the total construction area stated in the Original Grant Contract and (2) the aggregate area as stated in the building ownership certificates covering various buildings including (among others) the Chongqing Property and the Chongqing Hotel appears to exceed the construction area set out in the building permit (建設工程規劃許可證) covering such buildings by approximately 5,951 sq. m.. The PRC legal adviser of the REIT Manager, Jincheng Tongda & Neal, has advised that, notwithstanding the above issues relating to areas, Chongqing Company has legally obtained the State-owned land use rights in respect of the Chongqing Property, it is the registered legal owner of the land use rights and building ownership rights underlying the Chongqing Property, and it has legal ownership of the Shopping Mall and Office Building and can legally own, use and deal with such properties in accordance with the relevant PRC laws.

Under the Sale and Purchase Agreement, each of the Vendors has undertaken and agreed with the Purchaser to (1) rectify any Area Issue and any other matters in relation to the Chongqing Property found to be non-compliant and notified by the Purchaser to the Vendors in writing before Completion (the "**Other Issues**", and together with the Area Issues, the "**Relevant Matters**") in order to comply with the requirements under all the legal, regulatory, administrative, contractual and building rules, codes and guidelines applicable from time to time; and (2) bear 50% of any premium, penalty, fees and other payments payable or paid by the Chongqing Company, the Target Company and/or the Purchaser, and all reasonable costs and expenses of rectifying the Relevant Matters incurred by any of them. Under the Sale and Purchase Agreement, each of the Vendors has also agreed to indemnify each of the Purchaser, the Chongqing Company and the Target Company against 50% of all actions, proceedings, claims, demands, losses, liabilities, damages, costs and expenses which may result or which any of them may incur in connection with any of the Relevant Matters. The REIT Manager expects that the issues relating to areas as mentioned above will also be covered under the above undertaking and indemnity by the Vendors, either as an Area Issue and/or as an Other Issue to be notified by the Purchaser to the Vendors before Completion. Please also refer to the Vendors' undertakings and indemnities under the Sale and Purchase Agreement, as mentioned in the section headed "*(E) Arm's Length Terms and Due Diligence Review*" below for further details.

(e) The Existing Tenancy Agreements

The tenancy agreements entered into in respect of the Chongqing Property generally range from 1 to 6 years. Longer lease terms of more than 10 years are sometimes granted for tenancies of larger premises or where it is necessary for the operation of a tenant. Most of the tenancies have fixed terms with no option to renew. However, option to renew had been granted to a limited number of tenants on special circumstances after taking into account the nature of operation of such tenants.

Under the general tenancy agreements of the Shopping Mall, rent is charged monthly at (i) the higher of a fixed amount ("**Minimum Rent**") or a percentage of the turnover of the tenant's business ("**Turnover Rent**"); or (ii) a combination of Minimum Rent and Turnover Rent. Under the general tenancy agreements of the Office Building, the tenants are required to pay rent and commercial service fee, both being fixed amounts.

At the time of entering into a tenancy, the tenants of the Chongqing Property are required to pay a security deposit, which is generally an amount equal to 3 months' Minimum Rent for tenants of the Shopping Mall and 3 months' rent and commercial service fee for tenants of the Office Building. Security deposits do not bear interest.

Rent-free periods and renovation periods, which vary depending on market conditions at the time of negotiation, lease terms and lease areas, may sometimes be granted to the tenants of the Chongqing Property.

Tenants of the Chongqing Property are generally responsible for utilities and other outgoings. The tenants are also responsible for repair costs and all other expenses relating to the interior of the premises, while the Chongqing Company is responsible for maintenance and repair costs relating to the main building structure and the public utilities of the Chongqing Property.

For the Shopping Mall, generally, neither the tenants nor the Chongqing Company are entitled to terminate the tenancies prior to the expiry of the tenancy terms, except (i) where termination is mutually agreed between both parties; (ii) the non-defaulting party may terminate the tenancy agreement upon a breach of the tenancy agreement by the other party; or (iii) upon the occurrence of force majeure events. In some tenancies relating to the Shopping Mall, the Chongqing Company is entitled to terminate the tenancy agreement if the average monthly turnover of the tenant's business fails to reach a prescribed amount.

For the Office Building, generally, neither the tenants nor the Chongqing Company are entitled to terminate the tenancies prior to the expiry of the terms, except (i) the Chongqing Company is entitled to terminate the tenancy agreement upon the severe default, winding up or bankruptcy of a tenant; and (ii) upon the occurrence of force majeure events.

(f) Competition

The Chongqing Property is a well-established property centred at the Jiefangbei Pedestrian Street, Yuzhong, Chongqing, within one of the city's core CBDs. As of the second quarter of 2014, approximately 62% of

Chongqing's Grade A offices in terms of gross floor area are located in the Jiefangbei CBD. The Jiefangbei Pedestrian Street is also home to some of interior China's most popular and established shopping malls, including the Shopping Mall. In addition, it is a tourist landmark within Chongqing and has approximately 300,000 visitations per day during weekdays and over 1 million visitations per day during holidays on average.

The Market Consultant has prepared a report analysing, among other things, the competitive conditions of the Chongqing Property. For details, please refer to Appendix IV headed "*Market Consultant's Report*" to this circular.

2. *Information on the Target Group*

The Target Company is a company incorporated in Hong Kong with limited liability and the Chongqing Company is a wholly foreign owned limited liability company (有限責任公司(台港澳法人獨資) enterprise established in the PRC. The Target Company owns the entire interest in the Chongqing Company which in turn is the registered legal owner of the land use rights and building ownership rights underlying the Chongqing Property. Under the business licence (營業執照) currently in force, the term of operation of the Chongqing Company is from 18 November 1993 to 17 November 2043. The PRC legal adviser of the REIT Manager, Jincheng Tongda & Neal, has advised that there is no legal impediment for the renewal of the term of operation of the Chongqing Company as such renewal will primarily involve formality procedures. Jincheng Tongda & Neal has further advised that, there is no legal impediment on the remittance of dividends on retained earnings of the Chongqing Company out of the PRC to the Target Company, provided that such remittance is made in accordance with the procedures set out under the relevant PRC foreign investment and foreign exchange laws and regulations.

Based on the Vendors' representations, the Target Company and the Chongqing Property will not at Completion have any business operations other than the investment in the Chongqing Company and the investment, holding, leasing and management of the Chongqing Property (collectively referred to as the "**Target Business**"). The Target Company previously owned the Chongqing Hotel through certain subsidiaries but had disposed of all such interest prior to the date of the Sale and Purchase Agreement (the "**Hotel Transfer**").

Based on the Vendors' representations, the Target Company currently has no employees and the Chongqing Company has about 315 employees as at 30 September 2014 handling administrative and property management functions and services in connection with the Chongqing Company and the Chongqing Property. Under the Sale and Purchase Agreement, the Vendors shall procure that all labour contracts and employment relationship between the Chongqing Company and all its Employees shall have been effectively terminated on or before the date of Completion in accordance with PRC laws and regulations and all amounts payable by the Chongqing Company to the Employees shall have been fully paid on or before the date of Completion. It is recognised that the implementation of such employment termination arrangement may take time and may not be fully in place on the date of Completion, and the Chongqing Company may continue to directly employ certain Employees whose labour contracts or employment relationship with the Chongqing Company have not been effectively and properly terminated on or before the date of Completion ("**Remaining Employees**") and who may remain for a period after Completion until their employment with Chongqing Company has been effectively terminated (the "**Remaining Period**").

Under the Sale and Purchase Agreement, if at Completion, there shall remain any labour contracts or employment relationship between the Chongqing Company and any Employees which the Vendors fail to procure their proper and effective termination, or that any amounts payable by the Chongqing Company to any

Employees shall not have been fully paid, the Vendors will procure that at Completion, the Chongqing Company shall, for the purpose of termination of the labour contracts or employment relationship with the Remaining Employees, make a provision in its accounts in an amount calculated based on the average monthly salary and the years of service of the Remaining Employees (the "**Employment Provision**", such Employment Provision shall also be included in the Pro Forma Completion Balance Sheet and in the Completion Balance Sheet), for settlement of (i) all amounts which the Chongqing Company pays after Completion under or in connection with the labour contracts or the employer-employee relationship between the Remaining Employees and the Chongqing Company and the termination thereof, including but not limited to those with respect to their wages, entitlements, benefits, insurance, compensations, pensions, long service, severance, redundancy and annual leave payments and (ii) all amounts which the Chongqing Company pays to the Remaining Employees after Completion for the purpose of securing the termination of their labour contracts or employer-employee relationships, in each case, whether under law, contract or otherwise (the "**Employment Liabilities**").

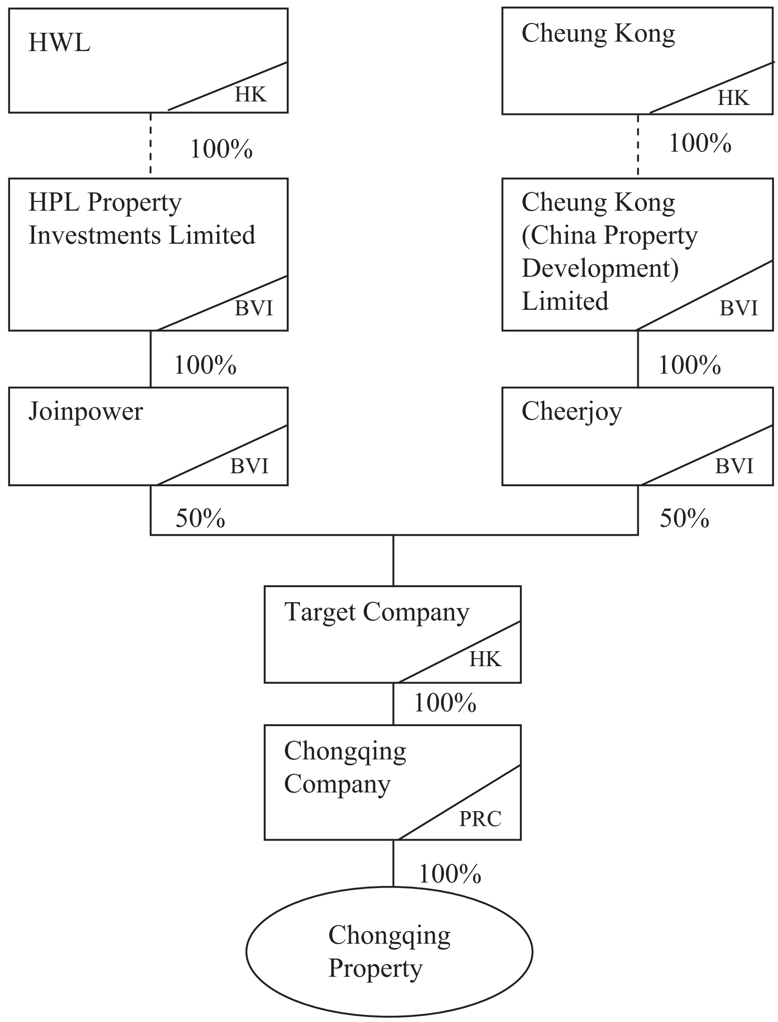
The HK$ Equivalent as at the date of Completion of an amount equivalent to the difference between the actual Employment Liabilities and the Employment Provision, in respect of those Remaining Employees whose employment agreements or labour contracts are effectively terminated after Completion but before the date of delivery of the Certified Statement (as defined in the section headed "*(B) Sale and Purchase Agreement – 4. Consideration*" of the "Letter from the Board" in this circular), will be paid as an adjustment between the Vendors and the Purchaser.

Any Employment Liabilities in respect of the Remaining Employee whose employment agreements or labour contracts are effectively terminated after the date of delivery of the Certified Statement exceeding the Employment Provision in respect of that relevant Remaining Employee will be paid by the Vendors to the Purchaser within 10 Business Days after receipt of the Purchaser's written notification.

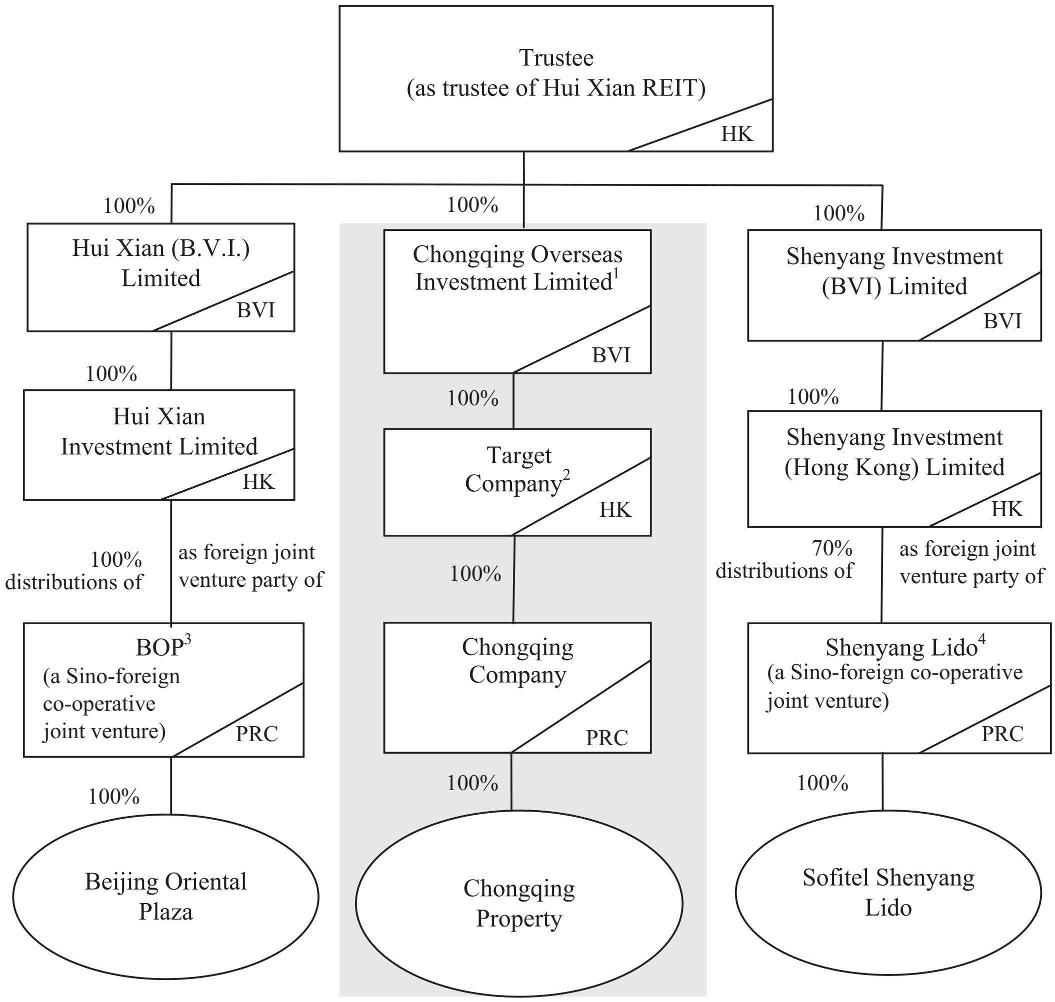
The REIT Manager has applied to the SFC for a waiver from strict compliance with 7.5(c) of the REIT Code in respect of the direct employment arrangements of the Chongqing Company after Completion. Please refer to the section headed "*(M) Implications Under the REIT Code and the Trust Deed – 2. Waiver in respect of direct employment arrangements of the Chongqing Company after Completion*" of the "Letter from the Board" in this circular for more information of the waiver. The REIT Manager will, after Completion, procure that the Chongqing Company uses its best efforts to terminate the labour contracts or the employer-employee relationship with the Remaining Employees.

3. Current and Expected Holding Structures

(a) The holding structure of the Chongqing Property as at the Latest Practicable Date may be represented in a simplified manner as follows:



(b) The expected holding structure of the Chongqing Property immediately after Completion may be represented in a simplified manner as follows:



Notes:

1. Pursuant to the Sale and Purchase Agreement, the Purchaser may procure a nominee to take up the Sale Shares and/or the Sale Loans and it is currently intended that Chongqing Overseas Investment Limited, a Special Purpose Vehicle, will be nominated to hold the Sale Shares and take up the Sale Loans.

2. The REIT Manager intends to change the name of the Target Company to "Chongqing Investment Limited 重慶投資有限公司" subject to approval of the same by the relevant regulatory authorities.

3. The PRC joint venture party of BOP is 北京東方鴻聯文化有限責任公司 (Beijing Dongfang Honglian Culture Co. Ltd.), a company incorporated in the PRC with limited liability.

4. The other foreign joint venture party of Shenyang Lido is Yick Ho Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of Cheung Kong, which is entitled to 29% distributions of Shenyang Lido (subject to certain preferred distribution arrangement in favour of Shenyang Investment (Hong Kong) Limited). The PRC joint venture party of Shenyang Lido is 北京穩得高投資顧問有限公司 (Beijing Wondergrow Investment and Consulting Co. Ltd.), a company incorporated in the PRC with limited liability, which is entitled to 1% distribution of Shenyang Lido.

(D) REASONS FOR AND BENEFITS OF THE ACQUISITION

The REIT Manager believes that the key benefits of the Acquisition to Hui Xian REIT are as follows:

1. Iconic landmark property to be acquired at favourable terms

(a) Unique property within the most established CBD of Chongqing, a direct-controlled municipality with strong policy support and compelling demographic fundamentals

The Chongqing Property is located in Chongqing, one of the most significant and fastest growing cities in the PRC. As one of the four direct-controlled municipalities that report directly to the Central Government of the PRC (alongside with Beijing, Shanghai and Tianjin), and a critical transportation and industrial hub within interior China, Chongqing is well-positioned to benefit from China's strategies and policies targeted at boosting the economy of inland parts of the country.

As the most populous and largest city by area in China, Chongqing is one of the country's fastest growing local economies. In 1H2014, Chongqing's GDP reached RMB644 billion, up 10.9% year-on-year, the highest growth rate amongst all key cities in China. Similarly, urban disposable income and retail sales grew at 9.6% and 13.1% year-on-year respectively in 1H2014. Foreign direct investment in the city in 1H2014 was US$1.5 billion, compared to US$0.4 billion in 2004.

The Chongqing Property is centrally-located at Jiefangbei, Yuzhong District, the city's most established CBD.

Further details about Chongqing and the location of the Chongqing Property may be found in the section headed "*(C) Information in relation to the Chongqing Property and the Target Group – 1. Information on the Chongqing Property – (b) Location*" of the "Letter from the Board" in this circular.

(b) Attractive consideration at a 4.7% discount to appraised value

The Attributable Value of RMB3,910 million, on the basis of which the Consideration for the Acquisition is determined, represents a discount of approximately 4.7% to the Appraised Value of the Chongqing Property of RMB4,104 million as at 31 August 2014.

(c) Well-established asset with defensive competitive positioning

The Shopping Mall is one of the most established and popular shopping malls in Chongqing, with wide recognition amongst local population, according to the Market Consultant. It has the largest GFA amongst all the shopping malls in the core Jiefangbei CBD. Due to the lack of large-scale land plots, most of the existing and upcoming retail properties in the Jiefangbei CBD are relatively small in size, with GFA ranging from 10,000 to 50,000 sq. m., compared to 88,919 sq. m. of the Shopping Mall (excluding car park spaces), with the GFA in one floor amounting to up to 15,141 sq. m.. This is a meaningful advantage and enables the Shopping Mall to create a one-stop shopping experience, in addition to providing flexibility to optimise the use of the retail space and amenity areas. The REIT Manager believes this will enable the Shopping Mall to continue to be the leading shopping mall in the area.

The Shopping Mall currently features a department store, a diverse range of international and domestic brands, a food court, a variety of restaurants and leisure amenities including a cinema and an ice-skating rink. With its competitive and comprehensive offering that caters to local population and visitor sensibilities, it is well-positioned to capture visitation and extend customer time spent within the Shopping Mall.

The Office Building is one of only two Grade A offices in the Jiefangbei CBD that has single asset title ownership (all other quality offices have strata title), according to the Market Consultant. The REIT Manager believes that single asset title ownership is a key competitive advantage as it allows for efficient and high-quality building management and maintenance. According to the Market Consultant, the Office Building is well-positioned to attract multinational corporate and financial institution tenants. In addition, the high number of consulate tenants further enhances the brand and prestige associated with the Office Building. Most importantly, these advantages allow the owner to be highly strategic by creating office tenant loyalty by accommodating the growth and increased space needs of long-standing tenants, and at the same time attracting prestigious new tenants who value landlord's brand name, building management quality and efficient floor plans.

The Chongqing Property is close to a number of international hotels, including Harbour Plaza Chongqing, Westin Chongqing Liberation Square and InterContinental Chongqing Hotel, and could benefit from the foot traffic and the purchasing power brought by these recognised hotels.

(d) Attractive income level, with further certainty from Deed of Income Guarantee

The Chongqing Company has a consistent track record of revenue from the Chongqing Property. For the three years ended 31 December 2013, the revenue and rental related income derived from the Chongqing Property amounted to approximately RMB261 million, RMB268 million and RMB282 million respectively. Based on the Attributable Value of RMB3,910 million, the revenue and rental related income of RMB282 million derived from the Chongqing Property for the year ended 31 December 2013 represents a gross rental yield of approximately 7.21%.

In order to further improve the mix of offerings and attractiveness of the Shopping Mall, the Vendors and the Chongqing Company have started an initiative to optimise the tenant mix in the middle-floors of the

Shopping Mall, and the process is currently undergoing. The tenant optimisation, despite causing temporary disruption, is expected to improve the overall rental income and tenant mix of the Shopping Mall over the longer term.

In view of the above, and with a view to providing greater certainty to the Total Income of the Chongqing Company after Completion, the Vendors, the Guarantors, the REIT Manager and the Purchaser have agreed to enter into a Deed of Income Guarantee upon Completion as one of the terms under the Sale and Purchase Agreement. Pursuant to the Deed of Income Guarantee, the Vendors will provide to Hui Xian REIT a guarantee on the Total Income of the Chongqing Company for any Guarantee Year during a period of five years after (and including) the year in which Completion takes place. If the aggregate amount of the Total Income of Chongqing Company in respect of any Guaranteed Year is less than the Guaranteed Income Level of RMB299.28 million, the Vendors will pay to the Purchaser the Income Shortfall. The total amount of all payments to be made by the Vendors to meet the Income Shortfalls during the entire Relevant Period will be subject to the Income Guarantee Cap being, RMB100 million.

The Guaranteed Income Level of RMB299.28 million per annum, before full utilisation of the Income Guarantee Cap, if regarded as income derived from the Chongqing Property, represents a yield of approximately 7.65% based on the Attributable Value of RMB3,910 million.

Unitholders should note that the Income Guarantee Cap effectively serves as a cap on the liability of the Vendors and the Guarantors under the Deed of Income Guarantee, and that, once the full amount of the Income Guarantee Cap has been met, the Vendors and the Guarantors will have no further liability under the Deed of Income Guarantee during the Relevant Period.

The Guaranteed Income Level has been determined on the basis of commercial and arm's length negotiations between the parties, after taking into account the historical performance of the Chongqing Property and various factors.

The REIT Manager believes that the Deed of Income Guarantee would assist to provide certainty to the Total Income from the Chongqing Property at the guaranteed level during the first five-year period after Completion, allowing sufficient lead time for tenant optimisation process which might cause temporary disruption.

(e) Strong and consistent operating and profitability track record with quality and well-diversified tenant base

The Chongqing Property has strong occupancy rate, rental rate, and a solid tenant profile.

As of 31 August 2014, the occupancy rate of the Chongqing Property was approximately 92.5% for the Shopping Mall and approximately 97.3% for the Office Building.

The Shopping Mall's largest tenant in terms of lettable area is the Far Eastern Department Store, which occupies approximately 43% of the lettable area of the Shopping Mall. The other tenants include a variety of international luxury brands (e.g., Hugo Boss, Dunhill, OMEGA, G Givenchy, Cerruti 1881, MaxMara Weekend, Armani Collezioni, Armani Jeans and Calvin Klein).

The Office Building has a solid and well-diversified tenant profile, with tenants including a number of consulates (e.g., the British Consulate-General and the Canadian Consulate General) and a number of multinational corporations (e.g., PricewaterhouseCoopers, KPMG, Siemens, Deutsche Bank, HSBC, Dragonair, 3M and Johnson & Johnson Medical Companies) operating in industries including retail, insurance and financial services, electronics and healthcare.

(f) Rare opportunity to acquire a Mainland China property in single ownership with offshore equity holding structure

As mentioned by the Market Consultant, the Office Building is one of only two Grade A offices in the Jiefangbei CBD that has single asset title ownership (instead of being strata-owned). As mentioned above, the REIT Manager believes that single asset title ownership is a key competitive advantage in terms of efficiency, building management quality and maintenance quality. There is a strong preference amongst tenants, especially multinational corporations and government-related organisations, for Grade A offices which are of single asset title ownership.

Further, the holding structure of the Chongqing Property by the Chongqing Company owned, in turn, by the Target Company (which is a Hong Kong company) provides flexibility in structuring the Acquisition in terms of execution efficiency and, if required, financing flexibility. The REIT Manager believes that it is a rare opportunity for a target asset of a similar size and nature to be available for sale in a similar offshore equity holding structure. See further details in the section headed "*(C) Information in relation to the Chongqing Property and the Target Group – 3. Current and Expected Holding Structures*" of the "Letter from the Board" in this circular.

2. Crucial and beneficial for Hui Xian REIT to pursue the acquisition

(a) Brings significant contribution to Hui Xian REIT's amount available for distribution, and DPU accretive

The amount available for distribution of Hui Xian REIT for the financial year ended 31 December 2013 was RMB1,262 million. If the Chongqing Property had been owned by Hui Xian REIT throughout the financial year ended 31 December 2013, it is estimated that the amount available for distribution of Hui Xian REIT for that financial year would have increased by 4.9% to RMB1,324 million.

Further, if the Chongqing Property had been owned by Hui Xian REIT throughout the financial year ended 31 December 2013, Hui Xian REIT's pro forma DPU for that financial year would have increased by 4.15% from RMB0.2455 to RMB0.2557.

The pro forma financial effects of the Acquisition mentioned in this sub-section 2(a) are in summarised from and should be read in conjunction with Appendix II "*Pro Forma Financial Information of the Enlarged Group*" to this circular.

The pro forma financial information and statements in this sub-section 2(a) are not intended as, and should not be interpreted as, a forecast of the profits of Hui Xian REIT in any current or future financial period.

(b) Mitigates Hui Xian REIT's risk of concentration in "single asset, single city", and risk of limited lifespan faced since listing in 2011

The Acquisition is expected to improve the diversification of Hui Xian REIT's asset portfolio geographically and further reduce the extent of reliance of Hui Xian REIT's income stream from Beijing Oriental

Plaza. In other words, the Acquisition would further mitigate the risk of "single asset, single city" and the related risk of limited lifespan of Hui Xian REIT faced at the time of initial listing in 2011.

Hui Xian REIT's interest in Beijing Oriental Plaza will expire in January 2049, when the joint venture period of BOP, through which such investment interest is held, ends and Beijing Oriental Plaza will belong to the PRC joint venture partner for no consideration in accordance with the terms of the current joint venture documents. As such, as mentioned in the Offering Circular, "unless Hui Xian REIT acquires and holds other real estate investment that generates recurrent rental income before the expiration of the joint venture period of BOP, the value of Hui Xian REIT's investment in Oriental Plaza will diminish over time and will have zero value in approximately 38 years when the joint venture period of BOP expires on 24 January 2049".

As such, it has been of paramount importance for the REIT Manager to identify other real estate for acquisition in order to mitigate Hui Xian REIT's risk of limited lifespan and risk of concentration in a single asset.

Hui Xian REIT's acquisition of Sofitel Shenyang Lido in 2011 was its first step towards extending the lifespan of Hui Xian REIT via acquisition. However, based on the valuation as at 31 December 2013 by the principal valuer of Hui Xian REIT, the value of Sofitel Shenyang Lido only represented approximately 2.62% of the total value of Hui Xian REIT's existing portfolio.

The Chongqing Company, as a wholly-foreign owned enterprise, does not have a limited joint venture period like BOP. The current business licence (營業執照) of the Chongqing Company provides for a term of operation from 18 November 1993 to 17 November 2043. The PRC legal adviser of the REIT Manager, Jincheng Tongda & Neal, has advised that there is no legal impediment for the renewal of the term of operation of the Chongqing Company as such renewal will primarily involve formality procedures.

As regards the land use rights, like other land use rights granted in 國有出讓土地 (transferred state-owned land) in the PRC, the land use rights of the Chongqing Property are subject to an expiration of term. The Chongqing Company can seek from the relevant PRC authorities an extension of the term of the current land use rights of the Chongqing Property which will expire in August 2044.

(c) Meaningful growth in scale, with expanded contribution from mall and office sectors

The Acquisition is expected to increase Hui Xian REIT's portfolio value and size meaningfully.

Based on the unaudited financial statements in the interim report of Hui Xian REIT for the six months ended 30 June 2014, the gross asset value of Hui Xian REIT as at 30 June 2014 was RMB42,054 million. If the Acquisition had been completed on 30 June 2014, the REIT Manager estimates that the gross asset value of Hui Xian REIT would have increased by approximately 7.6% to RMB45,242 million.

The total gross floor area of the property under Hui Xian REIT's management is also expected to increase by approximately 19% from 865,805 square metres to 1,030,165 square metres.

The Acquisition is also expected to increase the retail and office sectors in Hui Xian REIT's portfolio from 51% to 57% in terms of GFA.

The Appraised Value of the Chongqing Property as at 31 August 2014 was RMB4,104 million, which represents approximately 11% of Hui Xian REIT's existing portfolio's appraised value of RMB37,040 million as at 31 December 2013.

(d) Expansion of footprint into a key city with a landmark asset at a strategic location

The Acquisition will enable Hui Xian REIT to extend its portfolio footprint into one of the most significant and fastest growing cities in China.

As mentioned above, being one of the four direct-controlled municipalities (and the only one within inland China) that reports directly to the Central Government of the PRC, and a critical transportation and industrial hub in inland parts of China, Chongqing is well-positioned to benefit from China's strategies and policies targeted at boosting the economy of inland parts of the country.

The Chongqing Property is a well-established property centred at the Jiefangbei, Yuzhong District, within Chongqing's core CBDs. Officially designated by the Chongqing Municipal Government as the commercial and trade centre of Chongqing in 2003, the Jiefangbei CBD is the city's most important business centre. Jiefangbei features a pedestrian street around the Jiefangbei Monument which is the only monument in China that celebrates the victory in the Second Sino-Japanese War.

Established in 1997, the Jiefangbei Pedestrian Street was the first commercial pedestrian street project in China. Jiefangbei Pedestrian Street area is today home to some of interior China's most popular and established shopping malls, including the Shopping Mall. Additionally, it is a tourist landmark within Chongqing. It has approximately 300,000 visitations per day during weekdays and over 1 million visitations per day during holidays on average.

The Shopping Mall started commercial operation in 1997 and anchored the initial growth of the Jiefangbei area, which subsequently attracted a cluster of other notable commercial properties and drove the growth of the surrounding area. It has since emerged as the iconic landmark property within Jiefangbei CBD. From 2000 to 2013, Chongqing's GDP and total retail sales grew more than seven fold. The REIT Manager believes the relationship between the Chongqing Property, Jiefangbei CBD and Chongqing's growth is not anomalous to the one between Beijing Oriental Plaza, Wangfujing area and Beijing.

The Chongqing Property has high accessibility, including close proximity to three key CRT stations (Linjiangmen Station (臨江門站), Jiaochangkou Station (較場口站) and Xiaoshizi Station (小什字站)) to provide access to Line 1 and Line 2 of the CRT. In addition, the upcoming Line 6 and Line 10 of CRT will have stations in close proximity to the Chongqing Property and near the Jiefangbei CBD respectively. Line 6 and phase 1 of Line 10 are expected to be operational by 2016 and 2017 respectively, further increasing the Jiefangbei CBD's connectivity. An underground ring-road network connecting important properties in Jeifangbei CBD is also being built to alleviate traffic congestion, with the basic construction completed and expected opening in 2016.

According to the Market Consultant, the Jiefangbei area is designated by the Chongqing Government as the future "Wall Street" of Western China to boost development of commercial and retail activities. With the enhancement of the area's infrastructure and overall environment, the Jiefangbei CBD's premier status will be further strengthened. The REIT Manager believes that the Chongqing Property is well-positioned to benefit from the area's new development.

(e) Optimise capital structure

The proposed use of new bank borrowing to finance part of the Consideration for the Acquisition would mean a further utilisation of the available financial capacity of Hui Xian REIT, leveraging the current low interest rate environment.

Based on the unaudited condensed consolidated statement of financial position of Hui Xian REIT as disclosed in its 2014 interim report, the bank balances and cash of Hui Xian REIT as at 30 June 2014 amounted to approximately RMB4,596 million, while the total bank borrowings as at the same date amounted to approximately RMB3,883 million. The debts to gross asset value ratio was approximately 9.2% as at that date.

Although it is estimated that the Hui Xian REIT Group has sufficient cash to finance the entire sum of the Consideration for the Acquisition, the REIT Manager intends that the Consideration would be financed as to approximately 80% by new bank borrowing and approximately 20% by existing cash.

Based on the financial position of Hui Xian REIT as disclosed in its 2014 interim report and assuming that the Consideration is equal to the Attributable Value and would be financed as to approximately 80% by new bank borrowing and approximately 20% by existing cash, it is estimated that the debts to gross asset value ratio of Hui Xian REIT as at 30 June 2014 would have increased to 15.4%, which is kept well below the limit of 45% required to be maintained under the REIT Code.

(f) Consistent with key objectives and competencies of the REIT Manager, and synergy with Beijing Oriental Plaza

As mentioned in the Offering Circular, the REIT Manager's key objective "is to provide stable DPU, which will, subject to compliance with legal and regulatory restrictions, be paid to Unitholders in RMB". It was also mentioned in the Offering Circular that "the Manager's principal investment strategy is to hold and invest in high quality commercial properties in the PRC and it aims to produce stable and attractive total returns to Unitholders by managing the REIT's portfolio and maintaining a high level of investment discipline and financial flexibility". The REIT Manager expects the Acquisition to be consistent with achieving these objectives.

The Chongqing Property also fits well within the core competencies of the REIT Manager, which include the management of high quality retail and office properties, as demonstrated by its success in managing The Malls and the Tower Offices of Beijing Oriental Plaza.

As mentioned in the Offering Circular, the REIT Manager intends to hold Beijing Oriental Plaza on a long-term basis while, if opportunity arises, complementing it with additional income-producing properties through acquisitions. It is intended that the Chongqing Property will be held by Hui Xian REIT on a long-term basis.

(g) Rebranding and enhancing portfolio building

It is the REIT Manager's long-term objective to establish a portfolio of strategically located large-scale integrated property developments across different cities in the PRC under the "Oriental Plaza" brand, leveraging the prestigious brand recognition of Beijing Oriental Plaza. The Acquisition would be a first step of Hui Xian REIT in working towards this long-term objective.

The REIT Manager intends to rebrand the Chongqing Property from "Metropolitan Plaza 大都會廣場" to "Metropolitan Chongqing Oriental Plaza 大都會重慶東方廣場", and position it as the second "Oriental Plaza" under Hui Xian REIT. The Shopping Mall will be rebranded as "The Malls at Metropolitan Chongqing Oriental Plaza 大都會重慶東方新天地" and the Office Building be rebranded as "The Tower Offices at Metropolitan Chongqing Oriental Plaza 大都會重慶東方經貿城" after Completion. This rebranding preserves the local identity of the Chongqing Property, widely known as "Metropolitan / 大都會" while blending seamlessly with the brand "Oriental Plaza / 東方廣場" currently owned by the Hui Xian REIT Group.

The REIT Manager believes that the Acquisition would allow strong synergistic benefits to be achieved between the Chongqing Property and Beijing Oriental Plaza. The REIT Manager would be able to leverage its experience and existing resources to further enhance the Chongqing Property. Currently, approximately 25% of existing brands at the Shopping Mall at the Chongqing Property overlap with those of The Malls at Beijing Oriental Plaza. This forms a good base for cross promotional opportunities between the two shopping malls.

The REIT Manager also believes that having a portfolio of two landmark retail properties in key cities in China would enhance the REIT Manager's appeal and negotiation power in recruiting retail tenants.

Over the longer term, the expansion of the Oriental Plaza brand beyond Beijing should be a thriving opportunity for Hui Xian REIT and is expected to bode well for Hui Xian REIT's future prospect.

The REIT Manager has been searching for and evaluating acquisition opportunities and considers the Acquisition as a valuable investment opportunity which provides attractive long-term cash flows and yields. It is expected that the Acquisition would help mitigate a number of risks faced by Hui Xian REIT. In the future, the REIT Manager will continue its efforts to identify and capture any suitable acquisition opportunities to enhance the return of the portfolio for the benefit of Unitholders.

(E) ARM'S LENGTH TERMS AND DUE DILIGENCE REVIEW

The REIT Manager considers that the Sale and Purchase Agreement was entered into by the parties thereto on normal commercial terms following arm's length negotiations.

The REIT Manager has conducted, and is satisfied with the results of, due diligence in respect of the Chongqing Property and the Target Group. Such due diligence has been carried out in accordance with the relevant provisions of the REIT Code and the REIT Manager's compliance manual.

The REIT Manager has engaged a property consultant to conduct survey and inspection in relation to the Chongqing Property. In the course of the due diligence review, it has come to the attention of the REIT Manager that there are certain non-conformities being deviations on site as compared with the as-built plans relating to the Chongqing Property in October 1997 (in respect of the Shopping Mall) and in February and March 1998 (in respect of the Office Building) which include (a) alteration of the main entrance of the Office Building by the addition of an opening with doors, canopy and steps to external area; (b) changes in the number of car parking spaces and some areas partitioned to form storage area; (c) changes in internal layout (being minor changes in shopping area layout and associate exit route and exit doors, and change of toilet location in the Office Building); (d) alteration of external features and addition of TV wall and associated audio/visual equipment room and addition of signage at external wall and external areas (including addition of TV wall's equipment on external wall, addition of free standing signage post and change in platform layout at external area); and (e) addition of linkage to the Chongqing Hotel on the first floor of the Shopping Mall by forming an opening in the dividing wall between the Chongqing Hotel and the Shopping Mall.

The REIT Manager was informed by the property consultant that no apparent structural defect due to the addition or alteration of the above structures was found and that the property consultant believed that the Chongqing Property was in reasonable condition, consistent with buildings of a similar age, type and usage and that there were no material defects that would significantly affect the structural stability, operation and usage of the Chongqing Property and impede the transfer of the Chongqing Property. Despite the views of the property consultant mentioned above, the Vendors have agreed under the Sale and Purchase Agreement to rectify the matters set out in items (a) and (b) prior to Completion.

In addition, under the Sale and Purchase Agreement, each of the Vendors has also undertaken and agreed with the Purchaser to (1) rectify any Area Issue (as defined below) and any other matters in relation to the Chongqing Property found to be non-compliant and notified by the Purchaser to the Vendors in writing before Completion (the "**Other Issues**", and together with the Area Issues, the "**Relevant Matters**") in order to comply with the requirements under all the legal, regulatory, administrative, contractual and building rules, codes and guidelines applicable from time to time; and (2) bear 50% of any premium, penalty, administrative fee, professional fees and other payments payable or paid by the Chongqing Company, the Target Company and/or the Purchaser, and all reasonable costs and expenses of rectifying the Relevant Matters incurred by any of them. Under the Sale and Purchase Agreement, each of the Vendors has also agreed to indemnify each of the Purchaser, the Chongqing Company and the Target Company against 50% of all actions, proceedings, claims, demands, losses, liabilities, damages, costs and expenses which may result or which any of them may incur in connection with or arising out of any of the Relevant Matters, or in defending any claims brought against any of them in respect of any of the Relevant Matters.

The obligations and liabilities of the Vendors mentioned above in respect of the Area Issues shall not be subject to any limitation in time or amount. An "**Area Issue**" means any issue relating to the total construction area (總建築面積) of the Chongqing Property which is legally permitted to be built pursuant to the Chongqing Property Grant Contract (with all required permits, certificates and approvals issued or granted by any relevant governmental or regulatory authority to the Chongqing Company, and without premium outstanding or penalty payable)being less than the total construction area of the Chongqing Property as stated in the Chongqing Property Building Certificates.

The obligations and liabilities of the Vendors mentioned above in respect of the Other Issues will cease at the expiry of 7 years after the date of Completion or upon the occurrence of certain specified events (including termination of tenancies of relevant parts of the Chongqing Property and abatement of use that may be considered as non-compliant).

As the aggregate liability of the Vendors and the Guarantors in respect of all claims under or in connection with the Transaction Documents (which includes claims other than claims relating to the Hotel Transfer and any Area Issue, in relation to which, there will be no limitation on the maximum liability of the Vendors and the Guarantors) is subject to a maximum amount equal to the amount of the Consideration, the obligations and liabilities of the Vendors mentioned above with respect to the Relevant Matters other than Area Issues is also subject to such limitation.

The REIT Manager expects that (i) the issues relating to area referred to in the section headed "*(C) Information in relation to the Chongqing Property and the Target Group – 1. Information on the Chongqing Property – (d) The Chongqing Property, the Chongqing Hotel and certain issues relating to areas*" above and (ii) the matters set out in items (a) to (e) above will also be notified to the Vendors as a Relevant Matter and covered by the above undertaking and indemnity.

With respect to the Chongqing Hotel and the Adjacent Property as mentioned under section headed "*(K) Risk Factors – 6. The operations of the Chongqing Property could be affected by certain properties directly adjacent to the Chongqing Property and not owned or controlled by Hui Xian REIT or the REIT Manager after Completion*" of the "Letter from the Board" in this circular, the REIT Manager has performed due diligence and understands that the Chongqing Property operates entirely independently from the Chongqing Hotel and the Adjacent Property and that the Chongqing Hotel and the Adjacent Property are not located on the land underlying the Chongqing Property of which the Chongqing Company is the registered legal owner. The PRC legal adviser of the REIT Manager, Jincheng Tongda & Neal, has advised that there is no material legal impediment to the

Chongqing Company's land use rights and building ownership rights underlying the Chongqing Property as a result of the existence of the Chongqing Hotel and the Adjacent Property. The PRC legal adviser of the REIT Manager has also advised that under the existing laws and regulations, there is no material legal impediment relating to extension of the Chongqing Company's land use rights and building ownership rights underlying the Chongqing Property as a result of the existence of the Chongqing Hotel and the Adjacent Property.

(F) PRC TAXATION

Circular 698 stipulates the PRC tax treatment and reporting obligations on "indirect" equity transfers undertaken by non-resident enterprises ("offshore investors"). Circular 698 also introduces anti-abuse and anti-avoidance rules where the dominant purpose of using the offshore entities is to avoid PRC tax obligations. In such a case, the PRC tax authorities can apply a 10% withholding tax (or any lower tax rates applicable pursuant to tax treaty entered into between the PRC and other countries) on capital gains derived by the offshore investor on the indirect transfer. However, Circular 698 does not provide for clear guidance on how such capital gains withholding tax is to be applied in practice.

Pursuant to Circular 698, reporting obligations, if any, with respect to the transfer effected as a result of the Sale and Purchase Agreement will fall on the Vendors. Although it is not aware of any express requirement for the Chongqing Company to report to any PRC tax authority under Circular 698 for the transfer in the context of the Sale and Purchase Agreement or generally, transfer of similar nature, there is still a degree of uncertainty with respect to the application and interpretation of Circular 698. In any event, the HWL Indemnifiers and the Cheung Kong Indemnifiers have agreed to indemnify the Purchaser in relation to, among other things, tax liabilities of the Target Group Companies resulting from the transfer of any shares in the issued share capital of the Target Company including any liabilities arising out of Circular 698. Please see the section headed "*(B) Sale and Purchase Agreement – 10. Deed of Tax Covenant*" of the "Letter from the Board" in this circular.

The Vendors have undertaken in the Sale and Purchase Agreement to attend to all filing, notification and other obligations of the Vendors and the Target Group pursuant to or in connection with Circular 698 (a) as it was in force at the date of Completion or (b) as it is deemed to have been in force at the date of Completion by virtue of an amendment to or re-enactment of Circular 698 issued within 7 years of the date of Completion (the "**Circular 698 Obligations**") in respect of the Hotel Transfer and the Acquisition.

Taking into account the present intention of the REIT Manager for the Hui Xian REIT Group to hold the Chongqing Property for long-term investment purpose, the REIT Manager expects that neither potential land appreciation tax ("**LAT**") nor enterprise income tax relating to revaluation of the Chongqing Property and the depreciation allowance of the Chongqing Property ("**EIT**") will arise in connection with the Acquisition. In the event that the Hui Xian REIT Group does dispose of the Chongqing Property through a direct onshore transfer of the property interests in the future, it is expected that LAT and EIT would be levied on the Hui Xian REIT Group based on the sales proceeds less deductible costs which are calculated by reference to the original land acquisition and development costs incurred by the Chongqing Company, not Hui Xian REIT's cost of acquiring the Target Company. No account has been taken of such potential deferred taxation in agreeing the consideration for the Acquisition because the REIT Manager considers it very unlikely that any such liabilities will crystallise.

(G) FEES AND CHARGES

1. Fees and charges in relation to the Acquisition

The total fees and charges payable or borne by Hui Xian REIT in relation to the Acquisition (excluding the Consideration) is estimated to be approximately RMB59 million.

2. Fees payable by Hui Xian REIT to the REIT Manager and the Trustee in relation to the Acquisition

Pursuant to clause 14.2.1(i) of the Trust Deed, the REIT Manager will be entitled to receive an acquisition fee not exceeding the rate of 1% of the acquisition price of any real estate in the form of land acquired directly or indirectly by Hui Xian REIT. Based on the current applicable rate of the REIT Manager's acquisition fee which is 1% of the acquisition price of the Chongqing Property (being RMB3,910 million, which is the Attributable Value), the REIT Manager's acquisition fee in relation to the Acquisition would amount to RMB39.1 million (the "**Manager's Acquisition Fee**"). Such amount has been included in the total estimated amount of fees and charges in relation to the Acquisition, as referred to in sub-section 1 headed "*Fees and charges in relation to the Acquisition*" above.

The REIT Manager has elected that the Manager's Acquisition Fee be paid entirely in the form of new Units to be issued, with such election to be subject to the prior approval of Independent Unitholders by way of an Ordinary Resolution. When paid in the form of Units (''**Manager Acquisition Fee Units**''), the REIT Manager shall be entitled to receive such number of Units as may be purchased for the relevant amount of the Acquisition Fee, at an issue price that is equal to the highest of the average closing price of Units in the 10 trading days of the Stock Exchange immediately prior to the earliest of the following events: (a) the entry into of the Sale and Purchase Agreement, (b) the announcement in respect of the Acquisition, and (c) Completion, in each case, rounded down to the nearest whole number of Units and with the remaining amount to be paid in the form of cash.

The Manager Acquisition Fee Units will rank pari passu in all respects among themselves and with all the Units in issue at the date of issuance of the Manager Acquisition Fee Units.

If the REIT Manager's election to receive the Manager's Acquisition Fee in the form of new Units is not approved by the Unitholders at the EGM and the Acquisition proceeds to Completion, the Manager's Acquisition Fee will be paid to the REIT Manager in cash.

Pursuant to the Trust Deed, the Trustee is entitled to be reimbursed expenses incurred by it, including (among other things) any transactional fee of the Trustee as may be agreed from time to time between the REIT Manager and the Trustee in respect of the Acquisition should the Acquisition proceed to Completion. In this regard, it has been agreed that the Trustee shall receive an administrative fee of RMB100,000 (the "**Trustee's Fee**"). Such amount will be paid in cash upon Completion and has been included in the total estimated amount of fees and charges in relation to the Acquisition, as referred to in sub-section 1 headed "*Fees and charges in relation to the Acquisition*" above.

3. *Ongoing fees payable to the REIT Manager and the Trustee in relation to the Chongqing Property following Completion*

Under the current Trust Deed, after Completion:

(i) the REIT Manager will be entitled under the Trust Deed to receive, out of the Deposited Property, manager's fees attributable to the Chongqing Property comprising: (a) a base fee not exceeding 0.3% per annum of the value of the Chongqing Property; and (b) a variable fee with an annual amount equal to 3% per annum of the NPI of the Chongqing Property (which, for the avoidance of doubt, will be before deduction of the variable fee); and

(ii) the Trustee will receive, out of the Deposited Property, an annual fee of such amount as agreed between the REIT Manager and the Trustee from time to time not exceeding 0.02% per annum of the Property Values, which shall include the value of the Chongqing Property, as at the end of such financial year subject to a minimum amount of RMB56,000 per month.

The REIT Manager and the Trustee will be entitled to such fees attributable to the Chongqing Property in the future for so long as the Chongqing Property is directly held by the Trustee or indirectly held by the Trustee through a Special Purpose Vehicle, with appropriate pro rata adjustment in accordance with the provisions of the Trust Deed for a broken period.

Other than the Manager's Acquisition Fee and the future ongoing fees payable to the REIT Manager as mentioned above, no other fees will be payable by Hui Xian REIT to the REIT Manager in relation to the Acquisition. Other than the Trustee's Fee and the future ongoing fee payable to the Trustee as mentioned above, no other fees will be payable by Hui Xian REIT to the Trustee in relation to the Acquisition.

(H) FUNDING OF THE ACQUISITION

1. *Funding*

The REIT Manager currently expects that the Consideration payable by Hui Xian REIT will be financed: (i) as to approximately 80%, by new bank borrowing expected to be obtained prior to Completion; and (ii) as to approximately 20%, by existing cash.

2. *Expected Debts to Gross Assets Value Ratio*

Based on the financial position of Hui Xian REIT as disclosed in its 2014 interim report and assuming that the Consideration is equal to the Attributable Value and would be financed as to approximately 80% by new bank borrowings and approximately 20% by existing cash, it is estimated that the debts to gross asset value ratio of Hui Xian REIT as at 30 June 2014 would have increased to 15.4% from 9.2%.

(I) FINANCIAL EFFECTS OF THE ACQUISITION

The pro forma financial effects of the Acquisition on DPU and NAV per Unit are set out below (which are summarised from, and should be read in conjunction with, Appendix II "*Pro Forma Financial Information of the Enlarged Group*" to this circular):

1. Pro forma DPU

The DPU of Hui Xian REIT was RMB0.2455 for the financial year ended 31 December 2013. If the Acquisition had been completed on 1 January 2013 and Hui Xian REIT had held and operated the Chongqing Property through to 31 December 2013, the pro forma DPU of Hui Xian REIT for the financial year ended 31 December 2013 would have been increased by 4.15% to RMB0.2557.

The pro forma financial information and statements in this paragraph 1 are not intended as, and should not be interpreted as, a forecast of the profits of Hui Xian REIT in any current or future financial period.

2. Pro forma NAV per Unit

The NAV per Unit of Hui Xian REIT was RMB5.4487 as at 30 June 2014. If the Acquisition had been completed on 30 June 2014, the pro forma NAV per Unit of Hui Xian REIT would have been RMB5.4366.

Based on the pro forma financial effects of the Acquisition as stated in this section as well as Appendix II "*Pro Forma Financial Information of the Enlarged Group*" to this circular which provides a more detailed illustration of the financial effects of the Acquisition, the REIT Manager does not foresee any material adverse impact on the financial position of Hui Xian REIT as a result of the Acquisition.

The REIT Manager considers the assumptions and bases set out in Appendix II to this circular for the pro forma financial effects of the Acquisition on DPU and NAV per Unit to be appropriate and reasonable as at the date of this circular. However, Unitholders should consider the information outlined in Appendix II to this circular in light of such assumptions and bases and make their own assessment of the future performance of Hui Xian REIT.

(J) MANAGEMENT DISCUSSION ON BUSINESS PLAN IN RELATION TO THE CHONGQING PROPERTY AND HUI XIAN REIT AS A WHOLE

1. Management Strategy

Should the Acquisition be completed, the REIT Manager intends to continue to pursue with the same asset management strategy for the Chongqing Property as well as the existing properties of Hui Xian REIT.

2. Long-term Objectives of Establishing the "Oriental Plaza" Portfolio and Rebranding of the Chongqing Property

It is the REIT Manager's long-term objective to establish a portfolio of strategically located large-scale integrated property developments across different cities in the PRC under the "Oriental Plaza" brand, leveraging the prestigious brand recognition of Beijing Oriental Plaza. The Acquisition will be a first step of Hui Xian REIT in working towards this long-term objective. The REIT Manager intends to rebrand the Chongqing Property from "Metropolitan Plaza" to "Metropolitan Chongqing Oriental Plaza 大都會重慶東方廣場", and position it as the second "Oriental Plaza" under Hui Xian REIT. The Shopping Mall will be rebranded as "The Malls at Metropolitan Chongqing Oriental Plaza 大都會重慶東方新天地" and the Office Building will be rebranded as "The Tower Offices at Metropolitan Chongqing Oriental Plaza 大都會重慶東方經貿城" after Completion. This rebranding preserves the local identity of the Chongqing Property, widely known as "Metropolitan / 大都會" while blending seamlessly with the brand "Oriental Plaza / 東方廣場" currently owned by the Hui Xian REIT Group.

3. Synergistic Benefits between the Chongqing Property and Beijing Oriental Plaza

The REIT Manager believes that the Acquisition would allow strong synergistic benefits to be achieved between the Chongqing Property and Beijing Oriental Plaza. The REIT Manager would be able to leverage its experience and existing resources to further enhance the Chongqing Property. Currently, approximately 25% of existing tenants at the Shopping Mall at the Chongqing Property overlap with those of The Malls at Beijing Oriental Plaza. This forms a good base for cross promotional opportunities between the two shopping malls.

The REIT Manager also believes that having a portfolio of two landmark retail properties in key cities in China would enhance the REIT Manager's appeal and negotiation power in recruiting retail tenants.

Over the longer term, the expansion of the Oriental Plaza brand beyond Beijing should be a thriving opportunity for Hui Xian REIT and is expected to bode well for Hui Xian REIT's future prospect.

Certain aspects of the REIT Manager's asset management strategies are described below. These are also described in the Offering Circular under section headed "Strategy":

4. Asset Management Strategy

The REIT Manager will actively manage its portfolio to optimise rental income growth, maintain an optimal tenant mix, capture property enhancement opportunities, optimise occupancy levels, and prudently control property expenses. The REIT Manager intends to pursue the following to optimise returns:

(i) Proactive lease management

The REIT Manager will formulate leasing strategies and pursue initiatives to optimise the market potential and long-term income of Hui Xian REIT's property portfolio. The REIT Manager will set optimal rental benchmarks for each component of the property and will develop proactive marketing plans for each property component to enhance the visibility of the property and maximise tenant interest. The REIT Manager also plans to manage lease renewals effectively and to minimise downtime arising from either lease expiries or early terminations. This may be achieved through:-

- *maintaining close and harmonious business relationships with the tenants to increase tenant retention;*
- *monitoring and adapting to industry trends;*
- *advancing lease renewal negotiations with tenants in a timely manner;*
- *attempting to have new tenants lined up in preparation for vacant space; and*
- *monitoring rent arrears to minimise defaults by tenants.*

(ii) Optimal tenant mix

The REIT Manager will actively manage lease expiries to identify opportunities to maintain an optimal tenant mix. Moreover, the REIT Manager aims to continually evaluate the tenant quality and manage specific business sector tenancy risks in order to provide stability of rental income.

(iii) Continual asset enhancement

The REIT Manager will work closely with the property managers to continue to improve the rental income and value of Hui Xian REIT's property portfolio by undertaking asset enhancement initiatives. To the extent possible and permitted by the relevant laws and regulations, the REIT Manager will seek to optimise the use of space and building efficiency within Hui Xian REIT's properties. The REIT Manager will also continually review the competitiveness of Hui Xian REIT's properties against competing properties and upgrade building facilities to maintain and enhance the competitive positioning of Hui Xian REIT's properties if necessary.

(iv) Control property expenses while delivering quality services

In order to deliver optimal returns, the REIT Manager will work closely with the property managers to control property expenses without compromising quality of services to tenants. The REIT Manager will seek to control operating expenses, in coordination with the property managers, through the implementation of cost control management systems.

(K) RISK FACTORS

Risks attached to acquisition of the Chongqing Property

The risk factors relating to the acquisition of the Chongqing Property include the following:

1. The acquisition of the Chongqing Property involves general risks relating to acquisition of real estate, including, but not limited to:

(a) adverse changes in political or economic conditions;

(b) adverse local market conditions;

(c) the financial condition of tenants and buyers and sellers of properties;

(d) changes in interest rates and other operating expenses;

(e) changes in environmental and property related laws and regulations, and other governmental rules and fiscal policies;

(f) environmental claims arising in respect of real estate;

(g) changes in market rents;

(h) changes in energy prices;

(i) changes in the relative popularity of property types and locations leading to an oversupply of space or a reduction in tenant demand for a particular type of property in a given market;

(j) competition among property owners for tenants which may lead to vacancies or an inability to rent space on favourable terms;

(k) inability to renew tenancies or re-let space as existing tenancies expire;

(l) inability to collect rents from tenants on a timely basis or at all due to bankruptcy or insolvency of tenants or otherwise;

(m) insufficiency of insurance coverage or increases in insurance premiums;

(n) increases in the rate of inflation;

(o) inability of the Chongqing Property Manager or the New Chongqing Property Management Company to provide or procure the provision of adequate administration, maintenance and other services;

(p) defects affecting the portfolio properties which need to be rectified, or other required repair and maintenance of the portfolio properties, leading to unforeseen capital expenditure;

(q) the relative illiquidity of real estate investments;

(r) considerable dependence on cash flows for the maintenance of, and improvements to, the portfolio properties;

(s) increased operating costs, including taxes and duties relevant to real estate operations;

(t) fire or other damage to the properties; and

(u) acts of God, uninsurable losses and other factors.

2. Hui Xian REIT may be unable to renew leases, lease vacant space or re-lease space in the Chongqing Property as current leases expire

As at 31 August 2014, approximately 3.6%, 7.0% and 19.5% of leased area for the Shopping Mall and approximately 9.8%, 35.0% and 34.4% of leased area for the Office Building (in terms of the leased area as at 31 August 2014) were scheduled to expire during the four months ending 31 December 2014, and the financial years ending 31 December 2015 and 2016, respectively. The REIT Manager cannot assure Unitholders that leases will be renewed or that the Chongqing Property will be re-leased at rental rates equal to or above the current average rental rates.

3. Failure by the Vendors, the HWL Guarantor or the CKH Guarantor to fulfil their obligations under the Sale and Purchase Agreement, the Deed of Tax Covenant and the Deed of Income Guarantee may have a material adverse effect on Hui Xian REIT's operations

Under the Sale and Purchase Agreement, the Deed of Tax Covenant and the Deed of Income Guarantee, the Vendors are subject to certain obligations in favour of the Purchaser which will continue after Completion, including the following obligations (being the "**Continuing Obligations**"):

(a) to pay amounts that may be due to the Purchaser pursuant to the adjustment mechanisms stated in the Sale and Purchase Agreement;

(b) to compensate the Purchaser in the event of any breach of the representations and warranties given by the Vendors under the Sale and Purchase Agreement;

(c) to indemnify the Purchaser for certain tax liabilities of the Target Group pursuant to the Deed of Tax Covenant; and

(d) to make payments to the Purchaser pursuant to the Deed of Income Guarantee.

Failure by the Vendors, the HWL Guarantor or the CKH Guarantor to fulfil any of the Continuing Obligations may have a material adverse effect on Hui Xian REIT's operations.

4. There are risks to leveraging and limitations on Hui Xian REIT's ability to leverage

Hui Xian REIT is expected to use leverage in connection with the Acquisition and its other investments. In addition, Hui Xian REIT may, from time to time, require additional debt financing to fund working capital requirements, to support the future growth of its business and/or to refinance existing debt obligations. Borrowings by Hui Xian REIT are subject to the borrowing limits under the REIT Code which currently limit the debts to gross asset value ratio to 45%. If the 45% borrowing limit is crossed due to circumstances beyond the REIT Manager's control, and/or there is a depreciation in the value of Hui Xian REIT's properties or any redemption of Units, Hui Xian REIT will not be allowed to incur additional borrowings until the debts to gross asset value ratio falls below 45%. This may potentially affect the REIT Manager's ability in carrying out its plans which involve a large capital requirement including asset enhancement projects or acquisitions. As discussed in, and on the bases set out in, section headed "*(H) Funding of the Acquisition*" of the "Letter of the Board" in this circular, the debts to gross asset value ratio of Hui Xian REIT as at 30 June 2014 is estimated to increase from approximately 9.2% to approximately 15.4%, taking into account the effect of the Acquisition. The REIT Manager believes that this level is prudent under the current market conditions and is within the borrowing limit under the REIT Code. However, there can be no assurance that Hui Xian REIT's borrowings will not cross such borrowing limit due to circumstances beyond the REIT Manager's control, and/or if there is a depreciation in the value of Hui Xian REIT's properties or any redemption of Units. From time to time, Hui Xian REIT may need to draw down on its banking facilities and use overdrafts, but may be unable to do so due to the abovementioned borrowing limits.

5. The due diligence on the Chongqing Property prior to completion of the Acquisition may not have identified all material defects, breaches of laws and regulations and other deficiencies

Prior to the entering into of the Sale and Purchase Agreement, the REIT Manager had, or had instructed its advisers to, conduct physical and technical inspection and investigation of the Chongqing Property. Nevertheless, there can be no assurance that such reviews, surveys or inspections (or the relevant review, survey or inspection reports on which Hui Xian REIT or the REIT Manager have relied upon to proceed to completion of the Sale and Purchase Agreement) would have revealed all defects or deficiencies affecting the Chongqing Property.

6. The operations of the Chongqing Property could be affected by certain properties directly adjacent to the Chongqing Property and not owned or controlled by Hui Xian REIT or the REIT Manager after Completion

The Chongqing Hotel, which the Target Company previously owned and had disposed of all such interest via the Hotel Transfer prior to the entering into of the Sale and Purchase Agreement, is located directly adjacent to the Chongqing Property.

During the development of the Chongqing Property and pursuant to an agreement between the Vendors and the PRC Government, the Vendors constructed a property (the "**Adjacent Property**") directly adjacent to the Chongqing Property for the PRC Government to settle certain tenants and property owners that were affected or relocated as a result of the construction of the Chongqing Property.

After Completion, both the Chongqing Hotel and the Adjacent Property will not be owned or controlled by Hui Xian REIT or the REIT Manager. Due to their close proximity to the Chongqing Property, there is no assurance that the future operations of the Chongqing Property will not be affected by the Chongqing Hotel and the Adjacent Property.

7. RMB is not freely convertible. There are significant restrictions on the remittance of RMB into and out of the PRC, and the ability of Chongqing Company to remit RMB to Hong Kong and the ability of Hui Xian REIT to make distributions in RMB may be subject to future limitations imposed by the PRC government

The Chongqing Property receives almost all of its revenue in RMB. Hui Xian REIT intends to make distributions to Unitholders in RMB based on, inter alia, the receipt of dividends or payments from the Chongqing Property. RMB is not freely convertible at present. The PRC government continues to regulate conversion between RMB and foreign currencies, including the Hong Kong dollar, despite the significant reduction over the years by the PRC government in control over routine foreign exchange transactions on the current account.

There is no assurance that the PRC government will continue to gradually liberalise the level of control over cross-border RMB remittances in the future or that new PRC regulations will not be promulgated in the future which have the effect of restricting the remittance of RMB into or out of the PRC. If the Chongqing Company is not able to repatriate funds out of the PRC in RMB, Hui Xian REIT will be affected in its ability to pay distributions to the Unitholders.

8. Dividends payable to Hui Xian REIT by the Chongqing Company will be subject to PRC withholding tax

Under the PRC Enterprise Income Tax Law, dividends earned after 1 January 2008 paid by a foreign invested enterprise in the PRC to its foreign investor who is a non-tax resident enterprise will be subject to a 10% withholding tax, unless such non-resident enterprise's jurisdiction of incorporation has a tax treaty with the PRC that provides for a reduced rate of withholding tax. According to the Mainland and Hong Kong Special Administrative Region Arrangement on Avoiding Double Taxation or Evasion of Taxation on Income agreed between the PRC and Hong Kong in August 2006, dividends paid by a foreign invested enterprise in the PRC to its direct holding company in Hong Kong will be subject to withholding tax at a rate of no more than 5%, if the foreign investor owns directly at least 25% of the shares of the foreign invested enterprise, subject to approval by the relevant tax authorities. However, according to a circular issued by the State Administration of Taxation in October 2009, tax treaty benefits will be denied to "conduit companies" or shell companies without business substance. Therefore, dividends paid by the Chongqing Company to its direct holding company in Hong Kong will be subject to withholding tax at a rate of 5% subject to approval by the relevant tax authorities.

In addition, under the PRC Enterprise Income Tax Law, an enterprise established outside the PRC with its "de facto management body" within the PRC is considered a "tax resident enterprise" and will be subject to the PRC enterprise income tax at the rate of 25% on its worldwide income. The "de facto management body" is defined as the organisational body that effectively exercises overall management and control over production and business operations, personnel, finance and accounting, and properties of the enterprise. It remains unclear how the PRC tax authorities will interpret such a broad definition. As at the Latest Practicable Date, Hui Xian REIT has not been notified or informed by the PRC tax authorities that it is considered as a PRC tax resident enterprise for the purpose of the PRC enterprise income tax. If the PRC tax authorities subsequently determine that Hui Xian REIT should be classified as a tax resident enterprise, then Hui Xian REIT's worldwide income will be subject to PRC enterprise income tax at a uniform rate of 25%, which will decrease its earnings from operations.

Notwithstanding the foregoing provision, the PRC Enterprise Income Tax Law also provides that, if a resident enterprise directly invests in another resident enterprise, the dividends received by the investing resident enterprise from the invested enterprise are exempted from income tax, subject to certain conditions. Therefore, if Hui Xian REIT is classified as a resident enterprise, the dividends that it receives from the Chongqing Company may be exempted from income tax. However, it remains unclear how the PRC tax authorities will interpret the PRC tax resident treatment of an offshore company having ownership interest in a PRC enterprise. In addition, if Hui Xian REIT is treated as a PRC tax resident enterprise by PRC tax authorities in the future, any gain realised by the non-resident enterprise Unitholders from the transfer of the Unit may be regarded as being derived from sources within the PRC and accordingly would be subject to up to 10% PRC withholding tax.

Should there be any change to the existing PRC tax laws or regulations as mentioned above or the interpretation thereof, or any new PRC laws or regulations promulgated in the future, which have the effect of increasing the rate of withholding tax or restricting or withdrawing the preferential tax treatment, or which otherwise adversely affects the tax payable in respect of the dividend payment to Hui Xian REIT by the Chongqing Company, this may have an adverse impact on Hui Xian REIT and the Unitholders.

9. The Chongqing Property is located on land which is under long-term land use rights granted by the PRC Government. There is uncertainty about the amount of land grant premium which the Chongqing Company will have to pay and additional conditions which may be imposed if the REIT Manager decides to seek an extension of the land use rights for the Chongqing Property

The Chongqing Property is directly held by the Chongqing Company under land use rights granted by the PRC Government. Under PRC laws, the maximum term of the land use rights is 40 years for commercial use purposes and 50 years for mixed-use purposes. The existing terms of land use rights in respect of the Chongqing Property will expire in August 2044. Upon expiration, the land use rights will revert to the PRC Government unless the holder of land use rights applies for and is granted an extension of the term of the land use rights. These land use rights do not have automatic rights of renewal and holders of land use rights are required to apply for extension of the land use rights one year prior to the expiration of their terms. If an application for extension is granted, the holder of land use rights will be required to, among other things, pay a land grant premium. If no application for extension of term of the land use rights is made, or such application is not granted, the relevant land and all buildings erected thereon will be disposed of in accordance with the land use rights grant contracts upon expiration of the term of the land use rights. As none of the land use rights granted by the PRC Government similar to those granted for Chongqing Property has, as at the date of this circular, run its full term, there is no precedent to provide an indication of whether the PRC Government will grant an extension of the term of the land use rights of the Chongqing property upon the expiry of the current term or the amount of the land grant premium which the Chongqing Company will have to pay and any additional conditions which may be imposed if the REIT Manager decides to seek an extension of the term of the land use rights of the Chongqing Property upon the expiry thereof. In certain circumstances, the PRC Government may, where it considers it to be in the public interest, terminate the land use rights before the expiration of the term. In addition, the PRC Government has the right to terminate long-term land use rights and expropriate the land in the event the grantee fails to observe or perform certain terms and conditions under the land use rights grant contract. If the PRC Government charges a high land grant premium, imposes additional conditions, or does not grant an extension of the term of the land use rights of the Chongqing Property, the operations and business of the Chongqing Company could be disrupted, and as a result, the business, financial condition and results of operations of Hui Xian REIT could be materially and adversely affected.

10. The Chongqing Property, if disposed by the Hui Xian REIT Group in the future through a direct onshore transfer of the property interests, could potentially incur significant tax liabilities

In the event that the Hui Xian REIT Group dispose of the Chongqing Property through a direct onshore transfer of the property interests in the future, it is expected that land appreciation tax and enterprise income tax relating to revaluation of the Chongqing Property and the depreciation allowance of the Chongqing Property would be levied on the Hui Xian REIT Group based on the sales proceeds less deductible costs which are calculated by reference to the original land acquisition and development costs incurred by the Chongqing Company, not Hui Xian REIT's cost of acquiring the Target Company. The potential tax liabilities arising as a result thereof could be significant.

11. Deed of Income Guarantee may not be able to insure the financial performance of Target Company and thus may have negative impact to the Hui Xian REIT's distribution ability to Unitholders

As mentioned in the section headed "*(B) Sale and Purchase Agreement – 9. Deed of Income Guarantee*" above, the total amount of all payments to be made by the Vendors to meet the Income Shortfalls during the entire Relevant Period will be subject to the Income Guarantee Cap of RMB100 million. Once the Income Guarantee Cap is met, the Vendors and the Guarantors will no longer have any liability to compensate Hui Xian REIT in situation where the Target Company's Total Income falls below the Guaranteed Income Level, which could negatively affect Hui Xian REIT's amount available for distribution. In addition, failure by the Vendors and the Guarantors to fulfil their obligations under the Deed of Income Guarantee may also have an adverse impact on Hui Xian REIT's amount available for distribution.

(L) CONTINUING CONNECTED PARTY TRANSACTIONS

In light of the Acquisition, there will be, and it is likely that there will continue to occur from time to time, a number of transactions between Hui Xian REIT Group and the persons set out below who will fall within the category of "connected persons" of Hui Xian REIT under the REIT Code, and accordingly will constitute continuing connected party transactions of Hui Xian REIT under the REIT Code. Such "connected persons" of Hui Xian REIT includes the Cheung Kong Connected Persons Group, the REIT Manager Group, the HK Bank Connected Persons Group and the DB Group.

1. Annual Caps Revisions

(a) Property management arrangements in respect of the Chongqing Property with the Cheung Kong Connected Persons Group

Pursuant to the New Chongqing Property Management Agreement to be entered into between the Chongqing Company and the New Chongqing Property Management Company, the New Chongqing Property Management Company will be engaged to provide cleaning, security, patrolling, maintenance and other building management services with respect to the Chongqing Property (the "**Property Management Transactions**").

As the New Chongqing Property Management Company, through its connection with Cheung Kong, is an associated company of Hui Xian Cayman which is a significant holder of Hui Xian REIT, it is a connected person of Hui Xian REIT under the REIT Code and the Property Management Transactions will constitute continuing connected party transactions of Hui Xian REIT after Completion. The Property Management Transactions fall within the transactions relating to property management and club facilities transactions contemplated under the 2014 Extended Cheung Kong Waiver, of which annual cap amounts of such transactions for the three financial years ending 31 December 2015, 2016 and 2017 had been approved by the Unitholders at the extraordinary general meeting of Hui Xian REIT held on 5 May 2014. Information on the historical transaction amounts for such transactions as well as the approved cap amounts for such transactions for the three financial years ending 31 December 2015, 2016 and 2017 which were disclosed in the March Circular are set out below.

(i) Historical transaction amounts for the financial years ended 31 December 2012 and 2013 and for the nine months ended 30 September 2014 and the annual caps for those financial years

	Financial year ended 31 December 2012	Financial year ended 31 December 2013	Nine months ended 30 September 2014
Transaction amounts	RMB12,613,000	RMB13,846,000	RMB14,126,000
Approved annual caps for the financial year	RMB47,500,000	RMB54,200,000	RMB63,700,000 *(Note 1)*
Approximate % of transaction amounts over the annual caps	27%	26%	30% *(Note 2)*

Note 1: The annual cap is in respect of the full financial year ending 31 December 2014

Note 2: The percentage is calculated based on the annualised transaction amounts

(ii) Approved annual cap amounts for the financial years ending 31 December 2015, 2016 and 2017

Financial year ending 31 December 2015	Financial year ending 31 December 2016	Financial year ending 31 December 2017
RMB32,500,000	RMB35,000,000	RMB37,500,000

As disclosed in the May Poll Results Announcement, one of the conditions of the 2014 Extended Cheung Kong Waiver was that where there are further asset acquisitions by Hui Xian REIT thereby increasing the scale of its operations generally, the REIT Manager may from time to time seek to increase one or more of the annual cap amounts if necessary, provided, among other things, that such increase is approved by the Independent Unitholders by way of an Ordinary Resolution passed in a general meeting of Unitholders and disclosed by way of announcement, and a circular and notice are issued to Unitholders in accordance with the REIT Code.

In light of the Property Management Transactions, the REIT Manager had applied to the SFC for a modification of the 2014 Extended Cheung Kong Waiver such that the annual cap amounts relating to the property management and club facilities transactions between the Hui Xian REIT Group and the Cheung Kong Connected Persons Group for the three financial years ending 31 December 2015, 2016 and 2017 be revised as follows (the "**Cheung Kong Annual Cap Revision**"):

	Financial year ending 31 December 2015	Financial year ending 31 December 2016	Financial year ending 31 December 2017
Approved annual caps	RMB32,500,000	RMB35,000,000	RMB37,500,000
Attributable to the New Chongqing Property Management Agreement	RMB34,007,000	RMB37,407,000	RMB41,148,000
Revised annual caps	RMB66,507,000	RMB72,407,000	RMB78,648,000

The above revised annual cap amounts were arrived at after taking into account the estimated transaction amounts attributable to the New Chongqing Property Management Agreement for the three years ending 31 December 2017, which were in turn determined by reference to (i) the projected transaction amount for the property management services provided to the Chongqing Property for the year ending 31 December 2015; (ii) an annual growth rate of 10% in the following two financial years; and (iii) a buffer of 20% for contingencies such as changes in market conditions. The REIT Manager considers the 20% buffer is justified given that (i) it provides an appropriate contingency to accommodate possible fluctuations resulting from any changes in market conditions; (ii) it is within the range of buffers normally adopted by the listed REITs on the Stock Exchange for annual caps; (iii) it provides flexibility for Hui Xian REIT to accommodate future business growth; (iv) after taking into account the percentage of transaction amounts over the annual caps; and (v) depending on the future operation needs of the Chongqing Property, extra manpower may be involved leading increase in staff costs to be reimbursed to the Chongqing Property Management Company.

An Ordinary Resolution will be proposed at the EGM to approve, among other things, the Cheung Kong Annual Cap Revision.

Subject to approval of the Cheung Kong Annual Cap Revision, the conditions of the 2014 Extended Cheung Kong Waiver as modified will be as follows:

(1) Due approval by Unitholders

Due approval by the Independent Unitholders and adoption of the Ordinary Resolution to approve the Cheung Kong Annual Cap Revision set out in the notice of EGM dated 10 November 2014 without any material amendment thereto.

(2) Extensions or modifications

The 2014 Extended Cheung Kong Waiver has been granted for a period of three financial years ending 31 December 2017. The 2014 Extended Cheung Kong Waiver may be extended beyond 31 December 2017, and/or the terms and conditions of the 2014 Extended Cheung Kong Waiver may be modified from time to time, provided that:

(a) the approval of the Independent Unitholders is obtained by way of an Ordinary Resolution passed in a general meeting of Unitholders;

(b) disclosure of details of the proposed extension and/or modification (as the case may be) shall be made by way of an announcement by the REIT Manager of such proposal, and a circular and notice shall be issued to Unitholders in accordance with Chapter 10 of the REIT Code; and

(c) any extension of the period of the 2014 Extended Cheung Kong Waiver shall, on each occasion of such extension, be for a period which shall expire not later than the third full financial year-end date of Hui Xian REIT after the date on which the approval referred to in (a) above is obtained.

For the avoidance of doubt, any material change to the transactions covered by the 2014 Extended Cheung Kong Waiver (including without limitation the scope or nature of the transactions) provided by the REIT Manager in the waiver application dated 28 March 2014 based on which the waiver is sought and granted must be approved by Independent Unitholders as referred to in (a) above and details of the proposed changes shall be disclosed in the manner as referred to in (b) above.

(3) Annual Caps

The annual value of the connected party transactions shall not exceed the respective annual cap amounts set out in the following table:

Categories of connected party transactions	**Financial year ending 31 December 2015**	**Financial year ending 31 December 2016**	**Financial year ending 31 December 2017**
	RMB'000	**RMB'000**	**RMB'000**
Leasing and licensing transactions	113,300	113,300	113,300
Property management and club facilities transactions	66,507	72,407	78,648
Usage of internet and telecommunication services	7,500	7,500	7,500

In respect of the above leasing and licensing transactions first entered into or renewed on or after the date that the 2014 Extended Cheung Kong Waiver becomes effective, an independent valuation shall be conducted for each of such leasing and licensing transactions except where they are conducted on standard or published rates.

(4) Disclosure in semi-annual and annual reports

Details of the connected party transactions shall be disclosed in the semi-annual and annual reports of Hui Xian REIT as required under 8.14 of the REIT Code.

(5) Auditors' review procedures

In respect of each relevant financial period, the REIT Manager shall engage and agree with the auditors of Hui Xian REIT to perform certain review procedures on connected party transactions. The auditors shall then report to the REIT Manager on the factual findings based on the work performed by them (and a copy of such report shall be provided to the SFC), confirming whether all such connected party transactions:

(a) have received the approval of the Board (including the independent non-executive Directors);

(b) have been entered into in accordance with the pricing policies of Hui Xian REIT;

(c) have been entered into and carried out in accordance with the terms of the agreements (if any) governing the transactions; and

(d) the total value in respect of which has not exceeded the respective annual limits (where applicable).

(6) Review by the independent non-executive Directors

The independent non-executive Directors shall review the relevant connected party transactions annually and confirm in Hui Xian REIT's annual report for the relevant financial period that such transactions have been entered into:

(a) in the ordinary and usual course of business of Hui Xian REIT;

(b) on normal commercial terms (to the extent that there are sufficient comparable transactions) or, where there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to Hui Xian REIT than terms available to or from (as appropriate) independent third parties; and

(c) in accordance with the relevant agreements and the REIT Manager's internal procedures governing them, if any, on terms that are fair and reasonable and in the interests of the Unitholders as a whole.

(7) Auditors' access to books and records

The REIT Manager shall allow, and shall procure the counterparty to the relevant connected party transactions to allow, the auditors of Hui Xian REIT sufficient access to their records for the purpose of reporting on the transactions.

(8) Notification to the SFC

The Manager shall promptly notify the SFC and publish an announcement if it knows or has reason to believe that the auditors and/or the independent non-executive Directors will not be able to confirm the matters set out in the above.

(9) Subsequent increases in annual caps with Independent Unitholders' approval

If necessary, for example, where there are further asset acquisitions by Hui Xian REIT thereby increasing the scale of its operations generally, or where there are changes in market or operating conditions, the REIT Manager may, from time to time in the future, seek to increase one or more of the annual limits set out in the above, provided that:

(a) the approval of the Independent Unitholders is obtained by way of an Ordinary Resolution passed in a general meeting of Unitholders;

(b) disclosure of details of the proposal to increase the cap amounts shall be made by way of an announcement by the Manager of such proposal, and a circular and notice are issued to Unitholders in accordance with Chapter 10 of the REIT Code; and

(c) the requirements referred to in paragraphs 3 to 8 above shall continue to apply to the relevant transactions, save that the increased annual cap amounts shall apply.

(10) 8.14 of the REIT Code

The REIT Manager shall comply with all requirements under 8.14 of the REIT Code where there is any material change to the terms of the relevant connected party transactions or where there is any subsequent change to the REIT Code which may impose stricter requirements in respect of disclosure and/or Unitholders' approval. Details of the relevant connected party transactions shall be disclosed in Hui Xian REIT's semi-annual and annual reports in the relevant financial year as required under 8.14 of the REIT Code.

(b) Property manager services in respect of the Chongqing Property with the REIT Manager Group and leasing arrangements in respect of the Chongqing Property with the REIT Manager Group

Pursuant to the Chongqing Property Manager Agreement to be entered into between Chongqing Company and the Chongqing Property Manager which will take effect at Completion, the Chongqing Property Manager will be engaged to provide business advisory and management services, marketing and lease management services and property management co-ordination services of the Chongqing Property (the "**Property Manager Transactions**"). It is also envisaged that to facilitate the performance of its duties under the Chongqing Property Manager Agreement, the Chongqing Property Manager will lease an office premises at the Chongqing Property (the "**Manager Leasing Transaction**"). Please see the section headed "*(B) Sale and Purchase Agreement – 11. Chongqing Property Manager Agreement and New Chongqing Property Management Agreement*" of the "Letter from the Board" in this circular for further details of the Chongqing Property Manager Agreement and the New Chongqing Property Management Agreement.

As the Chongqing Property Manager is a subsidiary of the REIT Manager, it is a connected person of Hui Xian REIT under the REIT Code, and the Property Manager Transactions as well as the Manager Leasing Transaction will constitute continuing connected party transactions of the Hui Xian REIT after Completion. The Property Manager Transactions and the Manager Leasing Transaction fall within the property management and club facilities transactions and the leasing and licensing transactions contemplated under the 2014 Extended Manager Waiver, of which annual cap amounts of such transactions for the three financial years ending 31 December 2015, 2016 and 2017 had been approved by the Unitholders at the extraordinary general meeting of Hui Xian REIT held on 5 May 2014. Information on the historical transaction amounts for such transactions as well as the approved cap amounts for such transactions for the three financial years ending 31 December 2015, 2016 and 2017 which were disclosed in the March Circular are set out below.

Property management and club facilities transactions

(i) Historical transaction amounts for the financial years ended 31 December 2012 and 2013 and for the nine months ended 30 September 2014 and the annual caps for those financial years

	Financial year ended 31 December 2012	Financial year ended 31 December 2013	Nine months ended 30 September 2014
Transaction amounts	RMB32,708,000	RMB30,297,000	RMB27,623,000
Approved annual caps for the financial year	RMB49,000,000	RMB55,000,000	RMB60,000,000 *(Note 1)*
Approximate % of transaction amounts over the annual caps	67%	55%	61% *(Note 2)*

Note 1: The annual cap is in respect of the full financial year ending 31 December 2014

Note 2: The percentage is calculated based on the annualised transaction amounts

(ii) Approved annual cap amounts for the financial years ending 31 December 2015, 2016 and 2017

Financial year ending 31 December 2015	Financial year ending 31 December 2016	Financial year ending 31 December 2017
RMB51,000,000	RMB56,000,000	RMB61,000,000

Leasing and licensing transactions

i) Historical transaction amounts for the financial years ended 31 December 2012 and 2013 and for the nine months ended 30 September 2014 and the annual caps for those financial years

	Financial year ended 31 December 2012	Financial year ended 31 December 2013	Nine months ended 30 September 2014
Transaction amounts	RMB261,000	RMB323,000	RMB255,000
Approved annual caps for the financial year	RMB350,000	RMB350,000	RMB400,000 *(Note 1)*
Approximate % of transaction amounts over the annual caps	75%	92%	85% *(Note 2)*

Note 1: The annual cap is in respect of the full financial year ending 31 December 2014

Note 2: The percentage is calculated based on the annualised transaction amounts

ii) Approved annual cap amounts for the financial years ending 31 December 2015, 2016 and 2017

Financial year ending 31 December 2015	Financial year ending 31 December 2016	Financial year ending 31 December 2017
RMB500,000	RMB550,000	RMB600,000

As disclosed in the May Poll Results Announcement, one of the conditions of the 2014 Extended Manager Waiver was that where there are further asset acquisitions by Hui Xian REIT thereby increasing the scale of its operations generally, the REIT Manager may from time to time seek to increase one or more of the annual cap amounts if necessary, provided, among other things, that such increase is approved by the Independent Unitholders by way of an Ordinary Resolution passed in a general meeting of Unitholders and disclosed by way of announcement, and a circular and notice are issued to Unitholders in accordance with the REIT Code.

In light of the Property Manager Transactions arising as a result of the Acquisition, the REIT Manager had applied to the SFC for a modification of the 2014 Extended Manager Waiver such that the annual cap amounts relating to the property management and club facilities transactions between the Hui Xian REIT Group and the REIT Manager Group for the three financial years ending 31 December 2015, 2016 and 2017 be revised as follows (the "**Manager Annual Cap Revision**"):

	Financial year ending 31 December 2015	Financial year ending 31 December 2016	Financial year ending 31 December 2017
Approved annual caps	RMB51,000,000	RMB56,000,000	RMB61,000,000
Attributable to the Chongqing Property Manager Agreement	RMB25,813,000	RMB28,394,000	RMB31,234,000
Revised annual caps	RMB76,813,000	RMB84,394,000	RMB92,234,000

The above revised annual cap amounts were arrived at after taking into account the estimated transaction amounts attributable to the Chongqing Property Manager Agreement for the three years ending 31 December 2017, which were in turn determined based on (i) the projected transaction amount for the year ending 31 December 2015; (ii) an annual growth rate of 10% in the following two financial years; and (iii) a buffer of 30% for contingencies such as changes in market conditions. The REIT Manager considers the 30% buffer is justified given that (i) it provides an appropriate contingency to accommodate possible fluctuations resulting from any changes in market conditions; (ii) it is within the range of buffers normally adopted by the listed REITs on the Stock Exchange for annual caps; (iii) it provides flexibility for Hui Xian REIT to accommodate future business growth; and (iv) after taking into account the percentage of transaction amounts over the annual caps.

Further, in light of the Manager Leasing Transaction arising as a result of the Acquisition, the REIT Manager had also applied to the SFC for a modification of the 2014 Extended Manager Waiver such that the annual cap amounts relating to the leasing and licensing transactions between the Hui Xian REIT Group and the REIT Manager Group for the three financial years ending 31 December 2015, 2016 and 2017 be revised as follows (the "**Manager Leasing Annual Cap Revision**"):

	Financial year ending 31 December 2015	Financial year ending 31 December 2016	Financial year ending 31 December 2017
Approved annual caps	RMB500,000	RMB550,000	RMB600,000
Leasing arrangement with the Chongqing Property Manager in respect of the Chongqing Property	RMB167,000	RMB184,000	RMB202,000
Revised annual caps	RMB667,000	RMB734,000	RMB802,000

The above revised annual cap amounts were arrived at after taking into account the estimated transaction amounts attributable to the leasing arrangement with the Chongqing Property Manager for the three years ending 31 December 2017, which were in turn determined based on (i) the rental and service charge in 2015 as provided under the tenancy agreement with the Chongqing Property Manager; (ii) an annual growth rate of 10% in the following two financial years; and (iii) a buffer of 30% for contingencies such as changes in market conditions. The REIT Manager considers the 30% buffer is justified given that (i) it provides an appropriate contingency to accommodate possible fluctuations resulting from any changes in market conditions; (ii) it is within the range of buffers normally adopted by the listed REITs on the Stock Exchange for annual caps; (iii) it provides flexibility for Hui Xian REIT to accommodate future business growth; and (iv) after taking into account the percentage of transaction amounts over the annual caps.

An Ordinary Resolution will be proposed at the EGM to approve, among other things, the Manager Annual Cap Revision and the Manager Leasing Annual Cap Revision.

Subject to approval of the Manager Annual Cap Revision and the Manager Leasing Annual Cap Revision, the conditions of the 2014 Extended Manager Waiver as modified will be as follows:

(1) Due approval by Unitholders

Due approval by the Independent Unitholders and adoption of the Ordinary Resolution to approve the Manager Annual Cap Revision and the Manager Leasing Annual Cap Revision set out in the notice of EGM dated 10 November 2014 without any material amendment thereto.

(2) Extensions or modifications

The 2014 Extended Manager Waiver has been granted for a period of three financial years ending 31 December 2017. The 2014 Extended Manager Waiver may be extended beyond 31 December 2017, and/or the terms and conditions of the 2014 Extended Manager Waiver may be modified from time to time, provided that:

(a) the approval of the Independent Unitholders is obtained by way of an Ordinary Resolution passed in a general meeting of Unitholders;

(b) disclosure of details of the proposed extension and/or modification (as the case may be) shall be made by way of an announcement by the REIT Manager of such proposal, and a circular and notice shall be issued to Unitholders in accordance with Chapter 10 of the REIT Code; and

(c) any extension of the period of the 2014 Extended Manager Waiver shall, on each occasion of such extension, be for a period which shall expire not later than the third full financial year-end date of Hui Xian REIT after the date on which the approval referred to in (a) above is obtained.

For the avoidance of doubt, any material change to the transactions covered by the 2014 Extended Manager Waiver (including without limitation the scope or nature of the transactions) provided by the REIT Manager in the waiver application dated 28 March 2014 based on which the waiver is sought and granted must be approved by Independent Unitholders as referred to in (a) above and details of the proposed changes shall be disclosed in the manner as referred to in (b) above.

(3) Annual Caps

The annual value of the connected party transactions shall not exceed the respective annual cap amounts set out in the following table:

Categories of connected party transactions	**Financial year ending 31 December 2015**	**Financial year ending 31 December 2016**	**Financial year ending 31 December 2017**
	RMB'000	**RMB'000**	**RMB'000**
Leasing and licensing transactions	667	734	802
Property management and club facilities transactions	76,813	84,394	92,234
	(Note)	*(Note)*	*(Note)*

Note: including 1% per annum of the net property income in respect of Beijing Oriental Plaza (before deduction therefrom of the Variable Fee (as defined in the Trust Deed) and the Property Manager's fee)

In respect of the above leasing and licensing transactions first entered into or renewed on or after the date that the 2014 Extended Manager Waiver becomes effective, an independent valuation shall be conducted for each of such leasing and licensing transactions except where they are conducted on standard or published rates.

(4) Disclosure in semi-annual and annual reports

Details of the connected party transactions shall be disclosed in the semi-annual and annual reports of Hui Xian REIT as required under 8.14 of the REIT Code.

(5) Auditors' review procedures

In respect of each relevant financial period, the REIT Manager shall engage and agree with the auditors of Hui Xian REIT to perform certain review procedures on connected party transactions. The auditors shall then report to the REIT Manager on the factual findings based on the work performed by them (and a copy of such report shall be provided to the SFC), confirming whether all such connected party transactions:

(a) have received the approval of the Board (including the independent non-executive Directors);

(b) have been entered into in accordance with the pricing policies of Hui Xian REIT;

(c) have been entered into and carried out in accordance with the terms of the agreements (if any) governing the transactions; and

(d) the total value in respect of which has not exceeded the respective annual limits (where applicable).

(6) Review by the independent non-executive Directors

The independent non-executive Directors shall review the relevant connected party transactions annually and confirm in Hui Xian REIT's annual report for the relevant financial period that such transactions have been entered into:

(a) in the ordinary and usual course of business of Hui Xian REIT;

(b) on normal commercial terms (to the extent that there are sufficient comparable transactions) or, where there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to Hui Xian REIT than terms available to or from (as appropriate) independent third parties; and

(c) in accordance with the relevant agreements and the REIT Manager's internal procedures governing them, if any, on terms that are fair and reasonable and in the interests of the Unitholders as a whole.

(7) Auditors' access to books and records

The REIT Manager shall allow, and shall procure the counterparty to the relevant connected party transactions to allow, the auditors of Hui Xian REIT sufficient access to their records for the purpose of reporting on the transactions.

(8) Notification to the SFC

The REIT Manager shall promptly notify the SFC and publish an announcement if it knows or has reason to believe that the auditors and/or the independent non-executive Directors will not be able to confirm the matters set out in the above.

(9) Subsequent increases in annual caps with the Independent Unitholders' approval

If necessary, for example, where there are further asset acquisitions by Hui Xian REIT thereby increasing the scale of its operations generally, or where there are changes in market or operating conditions, the REIT Manager may, from time to time in the future, seek to increase one or more of the annual limits set out in the above, provided that:

(a) the approval of the Independent Unitholders is obtained by way of an Ordinary Resolution passed in a general meeting of Unitholders;

(b) disclosure of details of the proposal to increase the cap amounts shall be made by way of an announcement by the REIT Manager of such proposal, and a circular and notice shall be issued to Unitholders in accordance with Chapter 10 of the REIT Code; and

(c) the requirements referred to in paragraphs 3 to 8 above shall continue to apply to the relevant transactions, save that the increased annual cap amounts shall apply.

(10) 8.14 of the REIT Code

The REIT Manager shall comply with all requirements under 8.14 of the REIT Code where there is any material change to the terms of the relevant connected party transactions or where there is any subsequent change to the REIT Code which may impose stricter requirements in respect of disclosure and/or Unitholders' approval. Details of the relevant connected party transactions shall be disclosed in Hui Xian REIT's semi-annual and annual reports in the relevant financial year as required under 8.14 of the REIT Code.

2. New waiver in respect of connected party transactions with the HK Bank Connected Persons Group

According to the REIT Code, Hui Xian REIT's "connected persons" will include, among other, the directors, senior executives and officers of a significant holder, and their respective "associates" within the meaning of the REIT Code. The associates of such persons include, among others, other companies of which they are directors. In this connection, HK Bank is a connected person of Hui Xian REIT because Mr Li Tzar Kuoi, Victor ("**Mr. Li**"), a director of Noblecrown Investment Limited which is a significant holder of Units, is also a director of **HK Bank**. As such, the HK Bank Leasing and Licensing Transactions, the HK Bank Banking and Financial Services Transactions and the HK Bank Corporate Finance Transactions as described below ("**HK Bank CPTs**"), if entered into between Hui Xian REIT Group and HK Bank, will constitute continuing connected party transactions of Hui Xian REIT under the REIT Code. The REIT Manager has therefore applied to the SFC for a waiver from strict compliance with the disclosure and Unitholders' approval requirements under Chapter 8 of the REIT Code in respect of the HK Bank CPTs which are connected transactions of Hui Xian REIT solely as a result of and for so long as Mr. Li is a director of Noblecrown Investment Limited.

(A) Excluded Transactions

The following transactions will not be deemed connected party transactions of Hui Xian REIT for the purposes of Chapter 8 of the REIT Code:

(a) where the HK Bank Connected Persons Group acts for a third party as nominee, custodian, agent or trustee and conducts agency transactions with Hui Xian REIT Group;

(b) where a collective investment scheme (including another REIT) transacts with Hui Xian REIT Group, and a company within the HK Bank Connected Persons Group acts as the trustee of such collective investment scheme but the transaction is not a proprietary transaction of the HK Bank Connected Persons Group; and

(c) where a member of the HK Bank Connected Persons Group (including HK Bank and its proprietary subsidiaries where HK Bank or any of its proprietary subsidiaries is the trustee of another collective investment scheme and is acting in that capacity) acquires, purchases, subscribes, sells or disposes of Units on terms which are the same as available to the public or other Unitholders as a whole, and where applicable, are subject to the application and allocation rules set out in the Listing Rules. For the avoidance of doubt, any dealing by the HK Bank Connected Persons Group in Units on the Hong Kong Stock Exchange will not be a connected party transaction.

(B) Waiver General Conditions and Undertakings

In support of the application for waivers request in respect of the HK Bank CPTs, the REIT Manager has undertaken with the SFC certain conditions, including the following general conditions on an ongoing basis:

(a) the connected party transactions will be carried out at arm's length on normal commercial terms and in the interest of the Unitholders as a whole;

(b) the REIT Manager must implement internal controls and compliance procedures to ensure that the connected party transactions are regularly monitored and undertaken on terms in compliance with the REIT Code;

(c) the connected party transaction waivers will be given on the basis that they only apply to connected party transactions which arise solely as a result of and for so long as Mr. Li is a director of Noblecrown Investment Limited. If other connected party transactions arise as a result of their circumstances, these will be governed by Chapter 8 of the REIT Code in the normal way; and

(d) the waivers do not need to be renewed on a regular basis, provided that: (i) the SFC reserves its right to review or revise the terms of the waivers or impose any conditions as it deems appropriate from time to time; and (ii) the full Board (including the independent non-executive Directors) considers that it is fair and reasonable and in the best interests of the Unitholders to continue with the waivers granted without Unitholders' approval and disclose such confirmation in the annual report of Hui Xian REIT. In addition, the audit committee of the REIT Manager ("**Audit Committee**") will make a statement in the annual report of Hui Xian REIT that it has reviewed the terms of the connected party transaction waivers and is satisfied that (on the basis of the terms of the waivers and the internal controls and procedures in place) it is fair and reasonable that the waivers be continued without Unitholders' approval.

(C) Waiver for the HK Bank Leasing and Licensing Transactions

(i) Background

As at the date hereof, none of the tenants of the Chongqing Property is a member of the HK Bank Connected Persons Group. However, as part of the ordinary course of business of Hui Xian REIT Group, members of the Hui Xian REIT Group may from time to time enter into leases or licences in respect of the REIT

Properties with members of the HK Bank Connected Persons Group (the "**HK Bank Leasing and Licensing Transactions**"). The HK Bank Leasing and Licensing Transactions will constitute connected party transactions of Hui Xian REIT.

(ii) Waiver Sought and Conditions

Since the HK Bank Leasing and Licensing Transactions are activities in the usual and ordinary course of business of the Hui Xian REIT Group and are of a continuing and recurring nature, and given the number and frequency of HK Bank Leasing and Licensing Transactions which may be entered into between members of the Hui Xian REIT Group and members of the HK Bank Connected Persons Group, and bearing in mind (in some cases) their relatively small individual transaction value and the cost of full compliance, it would not be practical and would be unduly onerous to require strict compliance with the requirements set out in Rule 8.10, 8.11, 8.14 and 8.15 of the REIT Code on each occasion that such a transaction arises. Further, strict compliance with the relevant requirements would not benefit Unitholders greatly as the transactions will be conducted in the ordinary and usual course of business of the Hui Xian REIT Group on normal commercial terms, and in many cases will be simply continuation of existing arrangements. The REIT Manager has therefore applied to the SFC for a waiver from strict compliance with the disclosure and Unitholders' approval requirements under Chapter 8 of the REIT Code in respect of the HK Bank Leasing and Licensing Transactions on the following conditions:

(a) the transactions are carried out at arm's length on normal commercial terms;

(b) a statement will be made by the Audit Committee in the annual report of Hui Xian REIT that it has reviewed the terms of the transactions and is satisfied that these transactions have been entered into in the ordinary and usual course of business at arm's length on normal commercial terms, are fair and reasonable and are in the interests of the Unitholders of Hui Xian REIT;

(c) an independent valuation is required for such transactions unless they are entered into at arm's length on normal commercial terms consistent with the terms offered to the public (including at published rates) or otherwise at market rates taking into account the circumstances of the particular tenant, the particular property, the relevant trade mix and/or similar tenants or properties;

(d) the aggregate annual rent paid by the HK Bank Connected Persons Group to Hui Xian REIT during a financial year, together with the material terms of any lease or licence with any member of the HK Bank Connected Persons Group under which the annual rent (per lease) or annual licence fee (per licence) exceeds HK$1 million, is disclosed in the annual report in accordance with Rule 8.15 of the REIT Code; and

(e) the auditor of Hui Xian REIT to report to the REIT Manager confirming that the transactions:

    (i) have been duly approved by the Board in accordance with the internal procedures of the REIT Manager; and

    (ii) have been entered into in accordance with the terms of the agreements governing the transactions.

(D) Waiver for the HK Bank Banking and Financial Services Transactions

(i) Background

One of the Conditions Precedent is that new banking facilities being in place and available for drawdown by the Hui Xian REIT Group at or before Completion and such financing transaction will constitute a connected party transaction if and to the extent that providers of such new banking facilities would include members of the HK Bank Connected Persons Group.

It is also envisaged that the REIT Manager may from time to time engage the HK Bank Connected Persons Group to provide ordinary banking and financial services to Hui Xian REIT Group, being:

(a) deposits and other "banking business" (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) with a HK Bank Connected Persons Group member which is a "licensed corporation" or "registered institution" (as defined in the SFO) or overseas equivalent (together "**HK Bank Connected Persons Group intermediaries**") and conducted on arm's length commercial terms;

(b) loans extended by a HK Bank Connected Persons Group intermediary being a transaction in the ordinary and usual course of business of Hui Xian REIT Group and provided to, or arranged for, Hui Xian REIT Group on arm's length commercial terms; and

(c) related financial services constituting regulated activities (as defined in the SFO) and other banking or financial services required in the ordinary and usual course of business by Hui Xian REIT Group (including insurance, retirement benefit schemes under the Occupational Retirement Scheme Ordinance (Chapter 426 of the Laws of Hong Kong), mandatory provident fund schemes, credit cards, asset management and other such services) (items (a), (b) and (c) collectively referred to as the "**HK Bank Banking and Financial Services Transactions**").

For the avoidance of doubt, the HK Bank Banking and Financial Services Transactions do not include the HK Bank Corporate Finance Transactions (as defined below).

(ii) Waiver Sought and Conditions

Given the number and frequency of the HK Bank Banking and Financial Services Transactions which may be entered into between members of the Hui Xian REIT Group and members of the HK Bank Connected Persons Group, and bearing in mind (in some cases) their relatively small individual transaction value and the cost of full compliance, it would not be practical and would be unduly onerous to require strict compliance with the requirements under Chapter 8 of the REIT Code on each occasion that such a transaction arises. The REIT Manager has applied to the SFC for a waiver from strict compliance with the disclosure and Unitholders' approval requirements under Chapter 8 of the REIT Code in respect of the HK Bank Banking and Financial Services Transactions. In addition, the disclosure and reporting requirements under Chapter 8 of the REIT Code with respect to the HK Bank Banking and Financial Services Transactions shall be modified as described in the section headed "*D. Waiver for the HK Bank Banking and Financial Services Transactions - (iii) Disclosure requirements*" below.

(iii) Disclosure Requirements

Notwithstanding the above, a summary disclosure of the HK Bank Banking and Financial Services Transactions provided by the HK Bank Connected Persons Group to Hui Xian REIT Group in each financial year has to be disclosed in the annual report of Hui Xian REIT. Such information shall include the nature of the transactions, types of transactions or services and identities of the connected persons of the same transactions. The Audit Committee shall confirm in the annual report that it has reviewed the terms of any such transactions and is satisfied that these transactions have been entered into:

(a) in the ordinary and usual course of business of Hui Xian REIT;

(b) on normal commercial terms (to the extent that there are comparable transactions) or, where there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to Hui Xian REIT than terms available to or from (as appropriate) independent third parties; and

(c) in accordance with the relevant agreement and the REIT Manager's internal procedures governing them on terms that are fair and reasonable and in the interests of the Unitholders as a whole.

In addition, the auditors of Hui Xian REIT shall be engaged to perform certain agreed review procedures and report in the Auditors' Report to the REIT Manager (and a copy of such report shall be provided to the SFC) confirming that all such transactions (a) have followed the REIT Manager's internal procedures for such transactions and are in accordance with the terms disclosed in the offering document; (b) have received the approval of the Board (including the independent non-executive Directors); (c) are in accordance with the pricing policies of Hui Xian REIT; (d) have been entered into and carried out in accordance with the terms of the agreements governing the transactions; and (e) the total value in respect of which has not exceeded the respective cap amount (where applicable).

(E) Waiver for the HK Bank Corporate Finance Transactions

(i) Background

The REIT Manager may from time to time engage the HK Bank Connected Persons Group to provide corporate finance services to the Hui Xian REIT Group, being:

(a) underwriting, securitisation, issue of debt instruments or other securities, or other related arrangements where the HK Bank Connected Persons Group is involved in an underwriting or arranging capacity or acts as listing agent, and/or financial adviser and/or bookrunner and/or global co-ordinator to Hui Xian REIT, provided that these transactions are carried out at arm's length on normal commercial terms, the primary objective of which is the offering or distribution of securities to parties outside of the HK Bank Connected Persons Group;

(b) lending and borrowing of funds or other related arrangements in connection with any facility agreement by which the Hui Xian REIT Group will finance the acquisition of real estate;

(c) "financial advisory transactions", namely the provision of financial advisory services to the Hui Xian REIT Group relating to investment or proposed investment of the Hui Xian REIT Group from time to time, including without limitation, any direct or indirect acquisition or disposal or proposed direct or indirect acquisition or disposal of real estate and excludes transactions set out in (a) and (b) above, provided that the aggregate fees that the HK Bank Connected Persons Group derived from all "financial advisory transactions" and "corporate advisory transactions" (as described in (d) below) conducted for the Hui Xian REIT Group during a financial year shall be capped at 0.2% of the latest published net asset value of Hui Xian REIT; and

(d) "corporate advisory transactions", namely the provision of "corporate finance advice" to the Hui Xian REIT Group and excludes transactions set out in (1) and (b) above, provided that the aggregate fees that the HK Bank Connected Persons Group derived from all "corporate advisory transactions" and "financial advisory transactions" (as described in (c) above) conducted for the Hui Xian REIT Group during a financial year shall be capped at 0.2% of the latest published net asset value of Hui Xian REIT (items (a), (b), (c) and (d) collectively referred to as the "**HK Bank Corporate Finance Transactions**").

For the avoidance of doubt, "corporate finance advice" means advice concerning:

(i) compliance with or in respect of the Listing Rules, the REIT Code, the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, the Code on Share Buy-backs or The Hong Kong Code on Takeovers and Mergers;

(ii) (I) any offer to dispose of securities to the public, (II) any offer to acquire securities from the public, or (III) acceptance of any offer referred to in (I) or (II), but only in so far as the advice is generally given to holders of securities or a class or securities; or

(iii) corporate restructuring in respect of securities (including the issue, cancellation or variation of any rights attaching to any securities).

(ii) Waiver Sought and Conditions

Given the nature of and time constraint for the HK Bank Corporate Finance Transactions, strict compliance with the relevant announcement and/or Unitholders' approval requirements under Chapter 8 of the REIT Code in relation to such transactions will (in most cases) likely involve the disclosure of price sensitive information in relation to Hui Xian REIT, and therefore it is impracticable (if not impossible) for Hui Xian REIT to comply with the relevant announcement or Unitholders' approval requirements. The REIT Manager has therefore applied to the SFC for a waiver from strict compliance with the disclosure and Unitholders' approval requirements under Chapter 8 of the REIT Code in respect of the HK Bank Corporate Finance Transactions. In addition, the announcement, disclosure and reporting requirements under Chapter 8 of the REIT Code with respect to the HK Bank Corporate Finance Transactions shall be modified as described in conditions (a) to (f) below.

The REIT Manager has applied to the SFC to grant the above waiver on the following conditions:

(a) each transaction is carried out on normal commercial terms;

(b) this circular and any circular for Hui Xian REIT includes clear disclosure of this waiver and, with respect to the HK Bank Corporate Finance Transactions under categories (a) and (b) in the section headed "*E. Waiver for the HK Bank Corporate Finance Transactions – (i) Background*" above, full disclosure of the material terms of the relevant agreements;

(c) the annual report includes disclosure of the aggregate fees paid to the HK Bank Connected Persons Group in respect of the HK Bank Corporate Finance Transactions conducted for Hui Xian REIT Group in the financial year;

(d) the annual report includes disclosure in respect of any HK Bank Corporate Finance Transactions whose fees exceed HK$1 million: (i) the occurrence and nature of the transaction, (ii) the parties to the transaction, and (iii) the date of the transaction;

(e) the REIT Manager will confirm in the annual report that item (a) above and the general conditions as set out in the section headed "*B. Waiver General Conditions and Undertakings*" above have been complied with in respect of the HK Bank Corporate Finance Transactions;

(f) the annual report includes a statement by the Audit Committee that it has reviewed the terms of such transactions and is satisfied that they have been entered into:

(i) in the ordinary and usual course of business of Hui Xian REIT;

(ii) on normal commercial terms (to extent that there are sufficient comparable transactions) or, where there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to Hui Xian REIT than terms available to or from (as appropriate) independent third parties; and

(iii) in accordance with the relevant agreement and the REIT Manager's internal procedures governing them on terms that are fair and reasonable and in the interests of the Unitholders as a whole;

(g) underwriting or other related agreements are to be in respect of a particular transaction carried out at arm's length on normal commercial terms, the primary objective of which is the offering or distribution of securities to parties outside of the HK Bank Connected Persons Group;

(h) the aggregate fees that the HK Bank Connected Persons Group generates from all "financial advisory transactions" and "corporate advisory transactions" conducted for Hui Xian REIT Group during the financial year shall be capped at 0.2% of the latest net asset value (which is calculated as total assets minus total liabilities) of Hui Xian REIT as disclosed in the latest published audited accounts of Hui Xian REIT. If the aggregate fees that the HK Bank Connected Persons Group generates from the financial advisory transactions and corporate advisory transactions during the financial year exceed the above cap, the requirements in respect of connected party transactions as set out in Chapter 8 of the REIT Code (including obtaining Unitholders' approval) will apply;

(i) where a transaction involving the HK Bank Connected Persons Group is required to be announced pursuant to the provisions of the REIT Code and to which the waivers granted by the SFC in respect of connected party transactions do not apply, then disclosure of the role played by the HK Bank Connected Persons Group and the relevant terms of engagement shall be made in the relevant announcement in accordance with normal market practice and the requirements of the REIT Code; and

(j) the auditors of Hui Xian REIT shall be engaged to perform certain agreed review procedures and report in the Auditors' Report to the REIT Manager (and a copy of such report shall be provided to the SFC) confirming that:

(i) the transactions have received the approval of the Board (including the independent non-executive Directors) and have followed the REIT Manager's internal procedures for such transactions;

(ii) the transactions have been entered into and carried out in accordance with the terms of the agreements governing the transactions; and

(iii) the aggregate fees that the HK Bank Connected Persons Group generates from all corporate advisory transactions and financial advisory transactions conducted for Hui Xian REIT during the relevant financial year do not exceed the cap as described above.

Further, for the avoidance of doubt, where by virtue of the nature of the transaction, other than the involvement of the HK Bank Connected Persons Group in its capacity as described above under the HK Bank Corporate Finance Transactions, an announcement has to be made pursuant to the REIT Code (and is not exempted by any waivers from announcements under the REIT Code granted by the SFC) such announcement shall disclose the role of the HK Bank Connected Persons Group and the relevant terms of engagement in accordance with the relevant provisions of the REIT Code.

(M) IMPLICATIONS UNDER THE REIT CODE AND THE TRUST DEED

1. Connected Party Transactions

(a) Transactions with the Cheung Kong Connected Persons Group

(i) The Acquisition

Clause 15.1 of the Trust Deed requires any connected party transactions of Hui Xian REIT to be carried out in accordance with the provisions of the REIT Code and any conditions (including any conditions of waivers and exemptions from the operation of the REIT Code granted by the SFC from time to time) imposed by the SFC from time to time. Under 8.1 of the REIT Code, connected persons of a REIT include, among others, any "associated company" of a "significant holder" (each within the meaning ascribed to it under the REIT Code). The Vendors (namely Joinpower Holdings Ltd. and Cheerjoy Limited), the Guarantors (namely Hutchison Properties Limited and Cheung Kong Holdings (China) Limited), the Administrative Service Provider (namely 和記黃埔地產管理有限公司重慶分公司 (Hutchison Whampoa Property Management Limited Chongqing Branch)) and Hutchison Whampoa Enterprises Limited are associated companies of Hui Xian Cayman which is a significant holder of Hui Xian REIT. Accordingly, all of them are connected persons of Hui Xian REIT under the REIT Code. The Sale and Purchase Agreement and the transactions contemplated (including the entering into of the Deeds of Loan Assignment and the Deed of Tax Covenant) thereunder thus constitute connected party transactions of Hui Xian REIT under the REIT Code.

Since the maximum amount payable by the Purchaser to the Vendors under the Sale and Purchase Agreement, i.e. the Overall RMB Cap, being RMB4,100 million, exceeds 5% of the latest audited NAV of Hui Xian REIT as disclosed in the annual report of Hui Xian REIT for the financial year ended 31 December 2013, as adjusted for any relevant subsequent transaction since its publication, pursuant to 8.11 of the REIT Code and the Trust Deed, the Sale and Purchase Agreement and the transactions contemplated thereunder will require

Independent Unitholders' approval by way of an Ordinary Resolution. Accordingly, an Ordinary Resolution will be proposed at the EGM to approve, among other things, the Sale and Purchase Agreement and the other Transaction Documents and the transactions contemplated thereunder.

The Overall RMB Cap of the Consideration represents approximately 23.4% of the total market capitalisation of Hui Xian REIT based on the average closing price of the Units on the Stock Exchange for the five business days immediately preceding the date of the Sale and Purchase Agreement. As the highest applicable percentage for the Acquisition is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for Hui Xian REIT pursuant to Chapter 14 of the Listing Rules if it is applicable to Hui Xian REIT.

(ii) Transitional Administrative Service Agreement

As the Administrative Service Provider through its connection with Cheung Kong is an associated company of Hui Xian Cayman which is a significant holder of Hui Xian REIT, it is a connected person of Hui Xian REIT under the REIT Code and the transaction contemplated under the Transitional Administrative Service Agreement is connected party transaction of Hui Xian REIT after Completion. As the consideration under the Transitional Administrative Service Agreement of RMB1,296,000 is less than 5% of the latest audited NAV of Hui Xian REIT as disclosed in the annual report of Hui Xian REIT for the financial year ended 31 December 2013, in accordance with 8.9 of the REIT Code, no Unitholders' approval is required. Summary disclosure of the transactions under the Transitional Administrative Service Agreement will be made in the annual report of Hui Xian REIT in accordance with 8.15 of the REIT Code. Please refer to the section headed "*(B) Sale and Purchase Agreement – 12. Transitional Administrative Service Agreement*" of the "Letter from the Board" in this circular for further information of the Transitional Administrative Service Agreement.

(iii) Trademark Licence Agreements

As HWEL, through its connection with Cheung Kong, is an associated company of Hui Xian Cayman which is a significant holder of Hui Xian REIT, it is a connected person of Hui Xian REIT under the REIT Code and the transactions contemplated under the Trademark Licence Agreements are connected party transactions of Hui Xian REIT after Completion. As no consideration is involved in respect of such transactions, in accordance with 8.9 and the note to 8.14 of the REIT Code, neither Unitholders' approval nor announcement is required. Summary disclosure of the transactions under the Trademark Licence Agreements will be made in the annual report of Hui Xian REIT in accordance with 8.15 of the REIT Code. Please refer to the section headed "*(B) Sale and Purchase Agreement – 13. Trademark Licence Agreements*" of the "Letter from the Board" in this circular for further information of the Trademark Licence Agreements.

(b) Continuing Connected Party Transactions

Please refer to the section headed "*(L) Continuing Connected Party Transactions*" of the "Letter from the Board" in this circular for further information of the continuing connected party transactions of Hui Xian REIT under the REIT Code which will or may arise in light of the Acquisition.

2. Waiver in respect of direct employment arrangements of the Chongqing Company after Completion

Based on the Vendors' representations, as at 30 September 2014, the Chongqing Company employed approximately 315 employees in the PRC ("Existing Employees") handling various administrative and property management functions and services in connection with the Chongqing Property. It is intended that, prior to and/or after Completion, the Chongqing Company will separately directly employ a number of employees (currently expected to be not more than 50) to perform the Core Functions (as defined below) ("**Core Function Employees**") and no later than Completion will (as far as practicable) terminate the employment of all the Existing Employees. It is intended that the Chongqing Company will enter into the Chongqing Property Manager Agreement with the Chongqing Property Manager to take effect upon Completion pursuant to which the Chongqing Property Manager will be appointed as the property manager in respect of the Chongqing Property and will provide business advisory and management services, marketing and lease management services and property management co-ordination services in respect of the Chongqing Property.

Although the Vendors will under the Sale and Purchase Agreement procure that all labour contracts and employment relationship between the Chongqing Company and all its Employees shall have been effectively terminated on or before the date of Completion, it is recognised that the implementation of such employment termination arrangement may take time and may not be fully in place on the date of Completion. In such case, the Chongqing Company may have to continue with the employment of the Remaining Employees during the Remaining Period.

(a) With respect to the Core Function Employees:

(1) Certain obligations and functions of the Chongqing Company are required by the relevant PRC laws and regulations to be performed by the Chongqing Company. Those obligations and functions include legal and regulatory functions (for example, obtaining government approvals, handling and responding to government enquiries, regulatory compliance, executing legal documents and bringing or defending legal proceedings or other proceedings) as well as certain commercial functions (for example handling the Chongqing Company's bank accounts, remitting dividends to Target Company (which is a Hong Kong company) and selecting and appointing service providers) (collectively the "**Core Functions**"). The fact that the Chongqing Property Manager will be engaged to provide services to Chongqing Company pursuant to the Chongqing Property Manager Agreement will not relieve Chongqing Company from obligations to discharge the relevant obligations nor will it pass such obligations onto the Chongqing Property Manager.

(2) If the Chongqing Company directly employs at least a reasonable number of employees (currently expected to be not more than 50) to perform the Core Functions instead of arranging the Chongqing Property Manager or appointing another service provider company as their employer, in the event that the appointment of the Chongqing Property Manager or other service provider is discontinued for whatever reason, the Chongqing Company will still have staff performing Core Functions thereby reducing the disruption to the day to day management of Chongqing Company.

In light of the above, it will be in the interests of the Chongqing Company to directly employ the Core Function Employees.

(b) With respect to the Remaining Employees:

As mentioned above, the implementation of the employment termination arrangements with the Existing Employees may take time and may not be fully in place on the date of Completion. In such case, there may be a necessity for the Chongqing Company to continue to directly employ those employees whose labour contracts or employment relationship with the Chongqing Company have not been effectively terminated on or before the date of Completion.

(c) Further, the above direct employment arrangement of Hui Xian REIT will not be materially prejudicial to Hui Xian REIT for the following reasons:

(1) The REIT Manager does not expect that there will be any risks that the direct employees will cause significant liabilities or losses to the Hui Xian REIT. As mentioned above, the number of Core Employees is expected to be not more than 50. In addition, the Vendors will undertake in the Sale and Purchase Agreement procure that all labour contracts and employment relationship between the Chongqing Company and its employees be effectively terminated prior to the date of Completion. Accordingly, as at Completion, it is expected that the number of employees under direct employment of the Chongqing Company will be less than the current number of employees. Further, the REIT Manager will, after Completion, procure that the Chongqing Company uses its best efforts to terminate the labour contracts or the employer-employee relationship with the Remaining Employees. It is therefore expected that the number of Remaining Employees under the direct employment of Chongqing Company will decrease with the passage of time after Completion.

(2) Even if an employer outside the Hui Xian REIT Group or the Chongqing Property Manager is engaged to employ the Core Function Employees and the Remaining Employees, the costs and liabilities in relation to their employment are expected to be passed to Hui Xian REIT. Additional costs and other potential liability may also arise as a result of the involvement of an outside employer. Thus, the proposed direct employment arrangement of Hui Xian REIT mentioned above would not result in any material adverse financial liability to Hui Xian REIT as compared with other arrangements involving (or relying more heavily on) outside employer companies.

(3) The staff costs in respect of the Core Function Employees and the Remaining Employees should not have any material impact on the revenue of the Chongqing Company. As mentioned in (1) above, it is expected that the arrangements between Chongqing Company and the Chongqing Property Manager or the alternative employment Company will provide to the effect that the Chongqing Company will reimburse the Chongqing Property Manager or the alternative employer company (as the case may be) of the salaries and employment expenses relating to such employees. Accordingly, the staff costs will continue to be borne by the Chongqing Company irrespective of the arrangement.

In light of the above, the REIT Manager has applied to the SFC for a waiver from strict compliance with the requirements of 7.5(c)(i) of the REIT Code to allow the Chongqing Company to directly employ (i) the Core Function Employees after Completion; and (ii) the Remaining Employees during the Remaining Period subject to the condition that there shall not be any material change in the circumstances as set out or represented to the SFC as contained herein, based on which such waiver is sought. The REIT Manager will, after Completion, procure that the Chongqing Company uses its best efforts to terminate the labour contracts or the employer-employee relationship with the Remaining Employees.

3. Submission in relation to the number of layers of Special Purpose Vehicles

Pursuant to the Sale and Purchase Agreement, the Purchaser may procure a nominee to take up the Sale Shares and/or the Sale Loans and it is currently intended that a Special Purpose Vehicle will be nominated to hold the Sale Shares and take up the Sale Loans.

The REIT Manager has made a submission to the SFC regarding 7.5(d) of the REIT Code for the SFC's permission of Hui Xian REIT's holding of the Chongqing Property through more than two layers of Special Purpose Vehicles upon Completion subject to the condition that there will be no change to the maximum number of layers of special purpose vehicles used by Hui Xian REIT for holding the Chongqing Property without further approval of the SFC.

4. Ordinary Resolutions

The REIT Manager takes the view that the Transactions and the Annual Caps Revisions are linked to each other and are part and parcel of a significant proposal. Each of the Annual Caps Revisions only arises from the consummation of the Acquisition and will not be required but for the entering into of the agreements underlying the Acquisition. Accordingly, one single Ordinary Resolution will be proposed at the EGM for approving all the Transactions and the Annual Caps Revisions.

A separate Ordinary Resolution will be proposed at the EGM for approving the REIT Manager's election to receive the Manager's Acquisition Fee in the form of Units.

(N) RESTRICTION ON VOTING

Note to 8.11 of the REIT Code and 9.9(f) of the REIT Code provide that where a Unitholder has a material interest in the resolution tabled for approval and that interest is different from that of all other Unitholders, such Unitholders shall abstain from voting and shall be prohibited from voting. Also, under paragraph 3.2 of Schedule 1 to the Trust Deed, where a Unitholder has a material interest in the business conducted at a meeting of Unitholders, and that interest is different from the interests of other Unitholders, such Unitholder shall be prohibited from voting his Units at, or being counted in the quorum for, such meeting.

Certain subsidiaries of Cheung Kong and HWL are parties to the Sale and Purchase Agreement and the transactions contemplated thereunder. Further, HWEL, the New Chongqing Property Management Company and the Administrative Service Provider, all of which are subsidiaries of HWL, will be a party to the Trademark Licence Agreements, the New Chongqing Property Management Agreement and the Transitional Administrative Service Agreement respectively. Also, obtaining the relevant waivers from the SFC and approvals of the Independent Unitholders in respect of the various connected party transactions of Hui Xian REIT as more particularly described in the sections headed "*Continuing Connected Party Transactions*" and "*Implications Under the REIT Code and the Trust Deed – 1. Connected Party Transactions*" of the Announcement is a Condition Precedent. As such, Cheung Kong, HWL and their respective subsidiaries are regarded as having a material interest in the Transactions and the Annual Caps Revisions. Pursuant to the REIT Code and the Trust Deed, Cheung Kong and HWL will, and will procure their respective associates to, abstain from voting on the Ordinary Resolutions to be proposed at the EGM to approve the Transactions and the Annual Caps Revisions.

The Chongqing Property Manager, which will be a subsidiary of the REIT Manager, will be a party to the Chongqing Property Manager Agreement, and obtaining the relevant waivers from the SFC and approvals of the Independent Unitholders in respect of the various connected party transactions of Hui Xian REIT as more particularly described in the sections headed "*Continuing Connected Party Transactions*" and "*Implications Under the REIT Code and the Trust Deed – 1. Connected Party Transactions*" of the Announcement is a Condition Precedent. As such, the REIT Manager is regarded as having a material interest in the Transactions and the Annual Caps Revisions.

Further, the REIT Manager, being the receiver of the Manager's Acquisition Fee, is regarded as having a material interest in its election to receive the Manager's Acquisition Fee in the form of Units.

Pursuant to the REIT Code and the Trust Deed, the REIT Manager will, and will procure its associates to, abstain from voting on the Ordinary Resolutions to be proposed at the EGM to approve the Transaction Matters Requiring Approval. Cheung Kong, ARA Asset Management Limited and CITIC Securities International Company Limited, which have interest in shares of the REIT Manager, will and will procure their respective subsidiaries to abstain from voting on the Ordinary Resolution to be proposed at the EGM to approve the REIT Manager's election to receive the Manager's Acquisition Fee in the form of new Units.

Reference is also made to the paragraph headed "Conflicts of Interests" in the Corporate Governance section in Hui Xian REIT's 2013 annual report. The conflicts of interest and measures implemented to address such conflicts as described therein have not changed in any material respect since the publication of that annual report and up to the Latest Practicable Date.

As at the Latest Practicable Date, to the best of the REIT Manager's knowledge, information and belief, save as disclosed above, the REIT Manager is not aware of any Unitholders who are required to abstain from voting at the EGM in respect of the resolutions to be proposed at the EGM to approve the Transaction Matters Requiring Approval.

(O) RECOMMENDATIONS

1. The Board

Having regard to the reasons for, the terms of, and factors and other information in relation to the Acquisition and the REIT Manager's election to receive Manager's Acquisition Fee in the form of Units as well as the reasons for, and the basis for determining, the Annual Caps Revisions, the Board (including the independent non-executive Directors, who have taken into account the opinion of and the principal factors and reasons considered by the Independent Financial Adviser as set out in the "*Letter from the Independent Financial Adviser*" in this circular) considers that:

(a) the Acquisition, which consists of the terms of the Transaction Documents including the Consideration, is consistent with the investment objectives and strategy of Hui Xian REIT and is being entered into in the ordinary and usual course of business and is at arm's length basis and on normal commercial terms, which are fair and reasonable and in the interests of the Unitholders (including the Independent Unitholders) and Hui Xian REIT as a whole;

(b) the issuance of Units to the REIT Manager for the Manager's Acquisition Fee as a result of the Acquisition is consistent with the investment objectives and strategy of Hui Xian REIT and is at arm's length basis and on normal commercial terms, which are fair and reasonable and in the interests of the Unitholders (including the Independent Unitholders) and Hui Xian REIT as a whole;

(c) the additional continuing connected party transactions as mentioned under the section headed "*(L) Continuing Connected Party Transactions – 1. Annual Caps Revisions*" of the "Letter from the Board" in this circular arising from the Acquisition are consistent with the investment objectives and strategy of Hui Xian REIT and are being entered into in the ordinary and usual course of business of Hui Xian REIT and are at arm's length basis and on normal commercial terms, which are fair and reasonable and in the interests of the Unitholders (including the Independent Unitholders) and Hui Xian REIT as a whole; and

(d) the revised annual caps under the Cheung Kong Annual Cap Revision, the Manager Annual Cap Revision and the Manager Leasing Annual Cap Revision are fair and reasonable and in the interests of the Unitholders (including the Independent Unitholders) and Hui Xian REIT as a whole,

and accordingly, recommends the Independent Unitholders to vote at the EGM in favour of the Ordinary Resolutions approving the Transaction Matters Requiring Approval.

The Board (including the independent non-executive Directors), having considered the terms of the Trademark Licence Agreements and the Transitional Administrative Service Agreement, considers that the same are on normal commercial terms and are fair and reasonable and in the interests of Hui Xian REIT, the Independent Unitholders, and the Unitholders as a whole.

2. Independent Financial Adviser

Somerley Capital Limited has been appointed as the independent financial adviser for the purposes of 10.10(p) of the REIT Code to advise the Independent Board Committee, the Independent Unitholders and the Trustee on whether the Transaction Matters Requiring Approval are fair and reasonable. The Independent Financial Adviser considers that:

(i) the Acquisition, which consists of the terms of the Transaction Documents including the Consideration, is consistent with the investment objectives and strategy of Hui Xian REIT and is being entered into in the ordinary and usual course of business and is at arm's length basis and on normal commercial terms, which are fair and reasonable and in the interests of the Unitholders (including the Independent Unitholders) and Hui Xian REIT as a whole;

(ii) the issuance of Units to the REIT Manager for the Manager's Acquisition Fee as a result of the Acquisition is consistent with the investment objectives and strategy of Hui Xian REIT and is at arm's length basis and on normal commercial terms, which are fair and reasonable and in the interests of the Unitholders (including the Independent Unitholders) and Hui Xian REIT as a whole;

(iii) the additional continuing connected party transactions as mentioned under the section headed "*(L) Continuing Connected Party Transactions – 1. Annual Caps Revisions*" of the "Letter from the Board" in this circular arising from the Acquisition are consistent with the investment objectives and strategy of Hui Xian REIT and are being entered into in the ordinary and usual course of business of Hui Xian REIT and are at arm's length basis and on normal commercial terms, which are fair and reasonable and in the interests of the Unitholders (including the Independent Unitholders) and Hui Xian REIT as a whole;

(iv) the revised annual caps under the Cheung Kong Annual Cap Revision, the Manager Annual Cap Revision and the Manager Leasing Annual Cap Revision are fair and reasonable and in the interests of the Unitholders (including the Independent Unitholders) and Hui Xian REIT as a whole,

and accordingly, advises the Independent Board Committee to recommend, and the Independent Financial Adviser itself also recommends, the Independent Unitholders to vote in favour of the Ordinary Resolutions to approve the Transaction Matters Requiring Approval at the EGM.

Details of the Independent Financial Adviser's opinion, together with the principal factors taken into consideration, and assumptions and qualifications in arriving at such opinion, are set out in the "Letter from the Independent Financial Adviser" in this circular.

3. Independent Board Committee

The Independent Board Committee, comprising two independent non-executive Directors, namely, Professor Lee Chack Fan and Dr. Choi Koon Shum, Jonathan, has been established to advise the Independent Unitholders on, inter alia, whether the Transaction Matters Requiring Approval are fair and reasonable.

Your attention is drawn to the "Letter from the Independent Board Committee" set out in this circular, which contains the Independent Board Committee's recommendations to the Independent Unitholders, and the "Letter from the Independent Financial Adviser" set out in this circular, which contains, among other things, (1) the Independent Financial Adviser's advice to the Independent Board Committee, the Independent Unitholders and the Trustee; and (2) the principal factors taken into consideration by the Independent Financial Adviser, and assumptions and qualifications adopted by the Independent Financial Adviser in arriving at such opinion.

The Independent Board Committee, having regard to the reasons for, the terms of, and factors and other information in relation to the Acquisition and the REIT Manager's election to receive Manager's Acquisition Fee in the form of Units as well as the reasons for, and the basis for determining, the Annual Caps Revisions and having taken into account the opinion of and the principal factors and reasons considered by the Independent Financial Adviser, concurs with the opinion of the Independent Financial Adviser and recommend that the Independent Unitholders vote at the EGM in favour of the Ordinary Resolutions approving the Transaction Matters Requiring Approval.

4. Trustee

The Independent Financial Adviser has been appointed by the REIT Manager to advise the Independent Board Committee, the Independent Unitholders and the Trustee as to whether the Transaction Matters Requiring Approval are fair and reasonable. Details of the Independent Financial Adviser's opinion, together with the principal factors taken into consideration, and assumptions and qualifications in arriving at such opinions, are set out in the "Letter from Independent Financial Adviser" in this circular. The Independent Property Valuer has been appointed by the REIT Manager and the Trustee to value the Chongqing Property and to confirm whether the tenancy agreements with connected persons of Hui Xian REIT in respect of the Chongqing Property are on arm's length and are on normal commercial terms. Its opinion is set out in Appendix III headed "*Valuation Report on the Chongqing Property*" to this circular. Further, the Independent Board Committee has been appointed to advise the Independent Unitholders in respect of the Transaction Matters Requiring Approval and its advice is set out in the "Letter from the Independent Board Committee" in this circular.

Based and in sole reliance on: (i) the opinion of the Board in this letter and the information and assurances provided by the REIT Manager; (ii) the "Letter from the Independent Financial Adviser"; (iii) the "Letter from the Independent Board Committee"; and (iv) the valuation report prepared by the Independent Property Valuer in respect of the Chongqing Property the text of which is set out in Appendix III to this circular, the Trustee, having taken into account its duties set out in the Trust Deed and the REIT Code, (i) is of the view that (a) the Acquisition and the additional continuing connected party transactions as mentioned under the section headed "*(L) Continuing Connected Party Transactions – 1. Annual Caps Revisions*" of the "Letter from the Board" in this circular are on terms that are fair and reasonable and in the interests of the Independent Unitholders), as well as the Unitholders as a whole, (b) the Acquisition is consistent with Hui Xian REIT's investment objectives and strategy, and (c) the Annual Caps Revisions is fair and reasonable so far as the Independent Unitholders are concerned and in the interests of Hui Xian REIT and the Independent Unitholders as a whole; and (ii) based on the foregoing matters, it has no objection, subject to the approval of the Independent Unitholders, for the REIT Manager to proceed with the Transaction Matters Requiring Approval.

This view is furnished for the sole purpose of complying with 10.10(o) of the REIT Code, and is not to be taken as a recommendation or representation by the Trustee of the merits of the Transaction Matters Requiring Approval.

The Trustee has not made any assessment of the merits or impact of the Transaction Matters Requiring Approval, other than for the purposes of fulfilling its fiduciary duties set out in the Trust Deed and the REIT Code. Accordingly, the Trustee urges all Unitholders, including those who are in any doubt as to the merits or impact of the Transaction Matters Requiring Approval, to seek their own financial or other professional advice.

5. Independent Property Valuer

Knight Frank Petty Limited, an Independent Property Valuer appointed by the Trustee and Hui Xian REIT's current principal valuer, has confirmed that the rentals of the subject lettings in respect of the Chongqing Property which form part of the continuing connected party transactions as mentioned under the section headed "*(L) Continuing Connected Party Transactions*" of the "Letter from the Board" in this circular were at or above market levels as of their respective tenancy agreement dates and other commercial terms in the tenancies such as tenure, rental deposits and termination clauses are on normal commercial terms.

(P) EXTRAORDINARY GENERAL MEETING AND CLOSURE OF REGISTER OF UNITHOLDERS

The EGM will be held at Grand Ballroom, 3/F, Sheraton Hong Kong Hotel & Towers, 20 Nathan Road, Kowloon, Hong Kong on Friday, 28 November 2014 at 12:00 noon, for the purpose of considering and, if thought fit, passing with or without modifications, the Ordinary Resolutions set out in the notice of the EGM, which is set out on pages N-1 to N-3 of this circular.

For the purpose of determining which Unitholders are entitled to attend and vote at the EGM, the register of Unitholders will be closed from Tuesday, 25 November 2014 to Friday, 28 November 2014, both days inclusive, during which period no transfers of Units will be effected. In order to qualify to attend and vote at the EGM, all transfers of Units accompanied by the relevant Unit certificates and the duly completed transfer forms must be lodged with the Unit Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 24 November 2014.

If you are a Unitholder on the register of Unitholders on Friday, 28 November 2014 (being the date fixed for the purposes of determining Unitholders' entitlement to vote at the EGM) and an Independent Unitholder, you can vote at the EGM. You will find enclosed with this circular a form of proxy for use for the purpose of the EGM.

Please complete, sign and date the enclosed form of proxy, whether or not you plan to attend the EGM in person, in accordance with the instructions printed thereon, and return it to the Unit Registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. The form of proxy should be completed and returned as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

(Q) ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the Appendices to this circular.

By order of the board of directors of
Hui Xian Asset Management Limited
滙賢房託管理有限公司
(as Manager of Hui Xian Real Estate Investment Trust)
Kam Hing Lam
Chairman of the Manager

HUI XIAN REIT
匯賢產業信託

Hui Xian Real Estate Investment Trust

(a Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong))

(Stock Code: 87001)

Managed by Hui Xian Asset Management Limited
滙賢房託管理有限公司

10 November 2014

To the Independent Unitholders

Dear Sir or Madam,

(1) CONNECTED PARTY TRANSACTIONS RELATING TO THE PROPOSED ACQUISITION OF THE CHONGQING PROPERTY (2) CERTAIN CONTINUING CONNECTED PARTY TRANSACTIONS AND (3) POSSIBLE ISSUANCE OF MANAGER ACQUISITION FEE UNITS

We have been appointed as members of the Independent Board Committee to advise you in respect of the Transaction Matters Requiring Approval, details of which are set out in the "Letter from the Board" in the circular dated 10 November 2014 from the REIT Manager to the Unitholders (the "**Circular**"), of which this letter forms a part. Terms defined in the Circular shall have the same meanings when used in this letter unless the context otherwise requires.

Somerley Capital Limited has been appointed by the REIT Manager to advise us, the Independent Unitholders and the Trustee on the Transaction Matters Requiring Approval. Details of their opinion, together with the principal factors and reasons taken into consideration, and assumptions and qualifications in arriving at such opinion, are set out in the "Letter from the Independent Financial Adviser", the text of which is contained in the Circular.

Having regard to the reasons for, the terms of, and factors and other information in relation to the Acquisition and the REIT Manager's election to receive Manager's Acquisition Fee in the form of Units as well as the reasons for, and the basis for determining, the Annual Caps Revision and having taken into account the opinion of and the principal factors and reasons considered by Somerley Capital Limited, we consider that:

(i) the Acquisition, which consists of the terms of the Transaction Documents including the Consideration, is consistent with the investment objectives and strategy of Hui Xian REIT and is being entered into in the ordinary and usual course of business and is at arm's length basis and on normal commercial terms, which are fair and reasonable and in the interests of the Unitholders (including the Independent Unitholders) and Hui Xian REIT as a whole;

(ii) the issuance of Units to the REIT Manager for the Manager's Acquisition Fee as a result of the Acquisition is consistent with the investment objectives and strategy of Hui Xian REIT and is at arm's length basis and on normal commercial terms, which are fair and reasonable and in the interests of the Unitholders (including the Independent Unitholders) and Hui Xian REIT as a whole;

(iii) the additional continuing connected party transactions as mentioned under the section headed "*(L) Continuing Connected Party Transactions – 1. Annual Caps Revisions*" of the "Letter from the Board" in the Circular arising from the Acquisition are consistent with the investment objectives and strategy of Hui Xian REIT and are being entered into in the ordinary and usual course of business of Hui Xian REIT and are at arm's length basis and on normal commercial terms, which are fair and reasonable and in the interests of the Unitholders (including the Independent Unitholders) and Hui Xian REIT as a whole; and

(iv) the revised annual caps under the Cheung Kong Annual Cap Revision, the Manager Annual Cap Revision and the Manager Leasing Annual Cap Revision are fair and reasonable and in the interests of the Unitholders (including the Independent Unitholders) and Hui Xian REIT as a whole.

Accordingly, we recommend that the Independent Unitholders vote in favour of the Ordinary Resolutions which will be proposed at the EGM to approve the Transaction Matters Requiring Approval.

Yours faithfully,
Independent Board Committee
Hui Xian Asset Management Limited
滙賢房託管理有限公司
(as the Manager of Hui Xian Real Estate Investment Trust)

Lee Chack Fan | **Choi Koon Shum, Jonathan**

Independent non-executive Directors

The following is the text of a letter, prepared for the purpose of inclusion in this circular, received from Somerley Capital Limited.

SOMERLEY CAPITAL LIMITED
20th Floor
China Building
29 Queen's Road Central
Hong Kong

10 November 2014

To: the Independent Board Committee, the Trustee and the Independent Unitholders

Dear Sirs,

(1) DISCLOSEABLE ACQUISITION AND CONNECTED PARTY TRANSACTIONS IN RELATION TO THE PROPOSED ACQUISITION OF THE CHONGQING PROPERTY; (2) POSSIBLE ISSUANCE OF MANAGER ACQUISITION FEE UNITS; AND (3) CERTAIN CONTINUING CONNECTED PARTY TRANSACTIONS

We refer to our appointment to advise the Independent Board Committee, the Trustee and the Independent Unitholders on the Transaction Matters Requiring Approval. Details of the Transaction Matters Requiring Approval are set out in the letter from the Board to the Unitholders contained in the circular of Hui Xian REIT (the "**Circular**") dated 10 November 2014, of which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

Hui Xian Cayman is a significant holder of Hui Xian REIT. Cheung Kong is an associate of Hui Xian Cayman and is therefore a connected person of Hui Xian REIT within the meaning of the REIT Code. As a result of its connection with Cheung Kong, HWL is also a connected person of Hui Xian REIT within the meaning of the REIT Code. Each of the subsidiaries of HWL and Cheung Kong, including the Vendors and the Guarantors, is therefore a connected person of Hui Xian REIT within the meaning of the REIT Code. Accordingly, the transactions contemplated under the Sale and Purchase Agreement (including the entering into of the Deed of Income Guarantee, the Deeds of Loan Assignment and the Deed of Tax Covenant) constitute connected party transactions of Hui Xian REIT under the REIT Code. As the Overall RMB Cap of the Consideration exceeds 5% of the latest audited NAV of Hui Xian REIT (as disclosed in its latest published audited accounts and adjusted for any relevant subsequent transactions since their publication), the connected party transactions mentioned above require Independent Unitholders' approval by way of an Ordinary Resolution at the EGM pursuant to 8.11 of the REIT Code and the Trust Deed.

In addition, as the highest applicable percentage for the Acquisition is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for Hui Xian REIT pursuant to Chapter 14 of the Listing Rules as if it is applicable to Hui Xian REIT.

Pursuant to the Trust Deed, the REIT Manager will be entitled to receive the Manager's Acquisition Fee for the Acquisition. The REIT Manager has elected to receive the Manager's Acquisition Fee entirely in the form of new Units to be issued, subject to the approval of Independent Unitholders by way of an Ordinary Resolution at the EGM.

As a result of the Acquisition, a number of transactions will be conducted from time to time between the Hui Xian REIT Group (on one part) and the Cheung Kong Connected Persons Group and the REIT Manager Group (on the other part), including the New Chongqing Property Management Company and the Chongqing Property Manager, and accordingly will constitute continuing connected party transactions of Hui Xian REIT under the REIT Code. An Ordinary Resolution will be proposed at the EGM to approve, among others, (i) the Cheung Kong Annual Cap Revision; (ii) the Manager Annual Cap Revision; and (iii) the Manager Leasing Annual Cap Revision.

Certain subsidiaries of Cheung Kong and HWL (i.e. the Vendors and the Guarantors) are parties to the Sale and Purchase Agreement and the New Chongqing Property Management Company, which is an associated company of Hui Xian Cayman through its connection with Cheung Kong, will be a party to the New Chongqing Property Management Agreement. Moreover, the Chongqing Property Manager, which is a subsidiary of the REIT Manager, will be a party to the Chongqing Property Manager Agreement. As a result, Cheung Kong, HWL, the REIT Manager and their respective subsidiaries are regarded as having a material interest in the Transactions and the Annual Caps Revisions. Accordingly, Cheung Kong, HWL and the REIT Manager will, and will procure that their respective associates will, abstain from voting on the Ordinary Resolution to be proposed at the EGM to approve the Transactions and the Annual Caps Revisions.

As the receiver of the Manager Acquisition Fee Units, the REIT Manager is regarded as having a material interest in its election to receive the Manager's Acquisition Fee in the form of new Units. Accordingly, the REIT Manager will, and will procure its associates and shareholders (which will in turn procure their respective subsidiaries) to, abstain from voting on the Ordinary Resolution to be proposed at the EGM to approve the REIT Manager's election to receive the Manager's Acquisition Fee in the form of new Units.

The Independent Board Committee, comprising two independent non-executive Directors, namely Professor Lee Chack Fan and Dr. Choi Koon Shum, Jonathan, has been established to advise the Independent Unitholders on the Transaction Matters Requiring Approval. We have been appointed to advise the Independent Board Committee, the Trustee and the Independent Unitholders in the same regard.

Somerley Capital Limited is independent of (i) Hui Xian REIT; (ii) the Trustee; (iii) the REIT Manager; (iv) Hui Xian Holdings Limited and Hui Xian Cayman, each a significant holder; and (v) the relevant parties to the Acquisition and their respective associates and connected persons. Apart from normal professional fees payable to us in connection with this appointment, no arrangements exist whereby we will receive any fees or benefits from the REIT Manager or any other party to the Acquisition.

In formulating our opinion, we have reviewed, amongst other things, the Transaction Documents, the New Chongqing Property Management Agreement, the Chongqing Property Manager Agreement, the tenancy agreement to be entered into by the Chongqing Property Manager, the report prepared by the Market Consultant (the "**Market Consultant's Report**"), the valuation report of the Chongqing Property (the "**Independent Valuation Report**"), the annual report of Hui Xian REIT for the year ended 31 December 2013 (the "**Annual Report**"), the interim report of Hui Xian REIT for the six months ended 30 June 2014 (the "**Interim Report**") and other information as set out in the Circular, in particular, the appendices. We have also visited the Chongqing Property and other commercial hubs in Jiefangbei CBD (as defined below), and have discussed the valuation methodologies, bases and assumptions for the valuation of the Chongqing Property with the Independent Property Valuer.

We have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the REIT Manager and have assumed that the information, facts and opinions provided to us are true and accurate. We have also sought and received confirmation from the Directors and management of the REIT Manager that no material factors have been omitted from the information supplied and opinions expressed to us. The Directors and the REIT Manager have confirmed that they have taken all reasonable care to ensure that the opinions they express in the Circular are fair and accurate in all material aspects, and that no material factors have been omitted which would make any statement they express in the Circular misleading in any respect. We have no reason to doubt the truth, accuracy and completeness of the information provided to us or to believe that any material fact or information has been omitted or withheld. We have not, however, conducted an independent investigation into the affairs of the REIT Manager, Hui Xian REIT, the existing properties held by Hui Xian REIT prior to Completion (the "**Existing Properties**"), the Target Group and the Chongqing Property. We consider that we have been provided with and have reviewed sufficient information to reach an informed view. We have also assumed that the statements and representations made or referred to in the Circular were accurate and not misleading at the time they were made and will continue to be accurate and not misleading at the date of the EGM. Unitholders will be notified of any material changes to the above as soon as possible.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation with regard to the Transaction Matters Requiring Approval, we have taken into account the following principal factors and reasons:

1. Background of Hui Xian REIT and reasons for the Acquisition

1.1 Hui Xian REIT

Hui Xian REIT is a real estate investment trust which has been listed on the Stock Exchange since 29 April 2011 and is a Hong Kong collective investment scheme authorised under section 104 of the SFO. The principal activity of Hui Xian REIT Group is to hold and invest in high quality commercial properties in any part of the world, including but not limited to the PRC, with the objective of producing stable and sustainable distributions to the Unitholders and to achieve long term growth in the net asset value per unit.

Hui Xian REIT's portfolio currently comprises two properties, namely Beijing Oriental Plaza and Sofitel Shenyang Lido, in Beijing and Shenyang respectively, and spans retail, office, serviced apartment and hotel businesses with a total GFA of 865,805 sq. m. as at 30 June 2014.

1.2 The Existing Properties

Beijing Oriental Plaza is located at No. 1 East Chang An Avenue, Dong Cheng District, Beijing, the PRC and is a mixed use commercial complex comprising a shopping mall, 8 blocks of Grade-A office towers, 2 blocks of serviced apartments, a 5-star hotel (namely "**Grand Hyatt Beijing**"), car park spaces and other ancillary facilities.

Sofitel Shenyang Lido is located at No. 386 Qingnian Street, Heping District, Shenyang City, Liaoning Province, the PRC and is a 5-star hotel.

Interests in Beijing Oriental Plaza have been held by Hui Xian REIT since its listing in April 2011. Interests in Sofitel Shenyang Lido (formerly known as "Sheraton Shenyang Lido Hotel") were acquired by Hui Xian REIT in 2011.

Further details of the Existing Properties are set out below:

Sector	Existing Properties	GFA (sq. m.) *(Note 1)*	Average occupancy rate *(Note 1)*	Average monthly passing rent (per sq. m.) *(Note 1)*	Appraised value (RMB million) *(Note 2)*
(1) Retail	The malls at Beijing Oriental Plaza	130,195	99.1%	RMB1,090	15,250
(2) Office	The tower offices at Beijing Oriental Plaza	309,552	95.5%	RMB251	14,550
(3) Serviced apartment	The tower apartments at Beijing Oriental Plaza	81,603	84.5%	n/a	2,280
(4) Hotels	(i) Grand Hyatt Beijing (825 hotel rooms)	125,420	55.5%	RMB1,598 (*Note 3*)	3,710
	(ii) Sofitel Shenyang Lido (590 hotel rooms)	78,746	33.1%	RMB549 (*Note 3*)	970 *(Note 4)*
(5) Car park spaces & other ancillary facilities	Car park	140,289	n/a	n/a	280
Total		**865,805**			**37,040**

Notes:

1. For the six months ended/as at 30 June 2014, as disclosed in the Interim Report.

2. Based on the valuation performed by American Appraisal China Limited as at 31 December 2013, as disclosed in the Annual Report.

3. The average room rate per night, as disclosed in the Interim Report.

4. Hui Xian REIT is entitled to 70% of the distributions of Shenyang Lido which holds the land use rights and building ownership rights in Sofitel Shenyang Lido. The appraised value of RMB970 million referred to 100% of the property interests in Sofitel Shenyang Lido.

Due to continued strong demand for quality retail space and offices, average occupancy rates of the retail malls and offices at Beijing Oriental Plaza remained at a high level of over 95%. Leasing demand for serviced apartment at Beijing was stable and the average occupancy rate of the serviced apartments at Beijing Oriental Plaza was approximately 84.5% for the six months ended 30 June 2014, as compared with approximately 82.3% in 2013. However, as a result of the restrictions on luxury spending imposed by the PRC central government which led to the cancellation or scaling down of corporate and business activities, the environment of China's hotel industry remained difficult. Average occupancy rate of Grand Hyatt Beijing for the six months ended 30 June 2014 was approximately 55.5% compared with approximately 54.3% in 2013. In addition, due to an influx of new upscale hotels in Shenyang in 2013, the average occupancy rate of Sofitel Shenyang Lido for the six months ended 30 June 2014 decreased to approximately 33.1%, from 41.5% in 2013.

1.3 The Chongqing Property

The Chongqing Property is an integrated commercial property development comprising (i) the Shopping Mall (inclusive of 353 car park spaces) currently called "大都會廣場" (Metropolitan Plaza); and (ii) the Office Building currently called "大都會商廈" (Metropolitan Tower). It is located near the Jiefangbei Pedestrian Street in Yuzhong District, Chongqing, which is a well-established central business district ("**CBD**"), with close proximity to three rail transit stations. The Chongqing Hotel, known as "重慶海逸酒店" (Harbour Plaza Chongqing) and situated adjacent to the Chongqing Property, had been disposed of by the Target Company prior to the date of the Sale and Purchase Agreement and is therefore not included as part of the Acquisition.

The Chongqing Property is a premium mixed-use commercial property development, which is one of the largest integrated development projects in an inland part of China and a landmark building strategically located at the centre of the most established CBD of Chongqing, namely Jiefangbei. The Chongqing Property has attracted multi-national and other reputable tenants for its shopping mall and Grade-A offices.

The Shopping Mall (inclusive of car park spaces) accounts for approximately 66.8% of the Chongqing Property in terms of GFA. The tenancy agreements for the Shopping Mall are generally for terms ranging from 1 to 6 years. Longer lease terms of over 10 years may be granted for larger premises or where it is necessary for the operation of a tenant. In terms of net monthly rental, approximately 66.7% of the tenancies of the Shopping Mall will expire in 2016 or beyond. The Shopping Mall's largest tenant in terms of lettable area is Far Eastern Department Store, accounting for approximately 43% of total lettable area of the Shopping Mall.

Further details of the Chongqing Property as at 31 August 2014 are summarised below:

Type	**Description**	**GFA (approx. sq. m.)**	**Occupancy rate** (*Note 1*)	**Average monthly rent (and commercial service fee) per leased sq. m.** (*Note 2*)	**Appraised value (RMB million)** (*Note 3*)
(1) Shopping Mall	a 12-storey shopping mall comprising a department store, a diverse range of international and domestic brands, a food court, a variety of restaurants and leisure amenities including an ice-skating rink and a cinema	109,743 (inclusive of 353 car park spaces)	92.5% (excluding car park spaces)	RMB295 (excluding car park spaces)	3,183 (inclusive of 353 car park spaces)
(2) Office Building	a 37-storey Grade-A office building	54,617	97.3%	RMB120	921
Total		**164,360**			**4,104**

Notes:

1. Being the occupied lettable area divided by the total lettable area as at 31 August 2014, taking into account those units which were occupied by companies associated with the Vendors (the "**Owner-occupied Units**").

2. Refer to the average monthly rent per leased sq. m. for the Shopping Mall and the average of monthly rent plus monthly commercial service fee (if applicable) per leased sq. m. for the Office Building.

3. Based on the valuation performed by the Independent Property Valuer as at 31 August 2014.

For a comparison between the Existing Properties and the Chongqing Property, please refer to sub-section headed "2.5 Comparison between the Existing Properties and the Chongqing Property" below.

1.4 Reasons for, and benefits of, the Acquisition

As stated in the Trust Deed, the REIT Manager's principal investment strategy is to hold and invest in commercial properties in any part of the world, including but not limited to the PRC, with the view of producing stable and attractive total returns to the Unitholders. As stated in the Offering Circular, if opportunities arises, the REIT Manager may complement the existing portfolio of Hui Xian REIT with additional income-producing properties through acquisitions.

As stated in the announcement of Hui Xian REIT dated 10 November 2011, the acquisition of Sofitel Shenyang Lido was the first step in adding the diversity and continuity of Hui Xian REIT's portfolio of assets beyond the investment in Beijing Oriental Plaza, and the REIT Manager intended to continue to explore the possibility of further increasing the asset base of Hui Xian REIT through acquisition opportunities with the view of increasing the recurring revenue of Hui Xian REIT. As stated in the Interim Report, the REIT Manager will continue to proactively pursue quality and sustainable yield-accretive investments that can immediately enhance the distributions to the Unitholders and grow the portfolio scale of Hui Xian REIT, taking advantage of its current low gearing level.

On the basis that (i) the Chongqing Property is a mix-used commercial property development with a concentration on retail located in Chongqing, one of the most rapidly growing regions in the PRC; (ii) the Chongqing Property is able to provide stable cash flow and yield; and (iii) the Acquisition will increase the portfolio scale and revenue of Hui Xian REIT, we concur with the REIT Manager that the Acquisition is in line with the above investment strategy and will serve to meet the objectives of Hui Xian REIT.

The REIT Manager believes that the key benefits of the Acquisition are as follows:

- ***Discount to valuation***

The Chongqing Property has been valued by the Independent Property Valuer at RMB4,104 million as at 31 August 2014. The Attributable Value is RMB3,910 million, which is RMB194 million lower than the Appraised Value. This means that Hui Xian REIT is purchasing the Chongqing Property at an approximately 4.7% discount to the independent valuation.

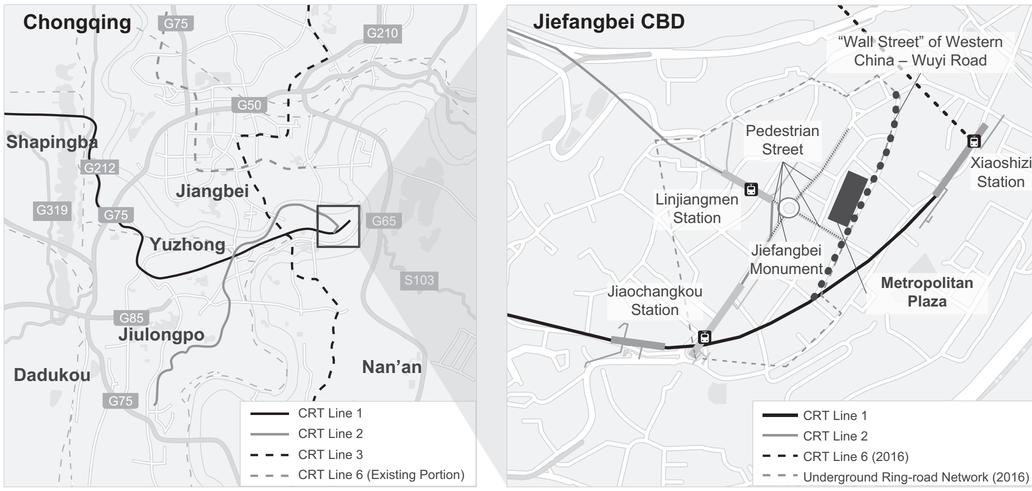
- ***DPU accretive acquisition***

The Acquisition is expected to be yield accretive and improve the earnings of Hui Xian REIT and DPU to existing Unitholders. Based on the unaudited pro forma financial information of the Enlarged Group in Appendix II to the Circular, assuming the Acquisition was completed on 1 January 2013, Hui Xian REIT's pro forma DPU would have increased by 4.2% from RMB0.2455 to RMB0.2557 for the year ended 31 December 2013.

- ***Strategic location of the Chongqing Property***

The Chongqing Property is located near the Jiefangbei Pedestrian Street in Yuzhong District, Chongqing, within Jiefangbei CBD, the city's most established CBD. The Acquisition allows Hui Xian REIT to expand its geographical reach to one of the four direct-controlled municipalities (alongside with Beijing, Shanghai and Tianjin) which has enjoyed rapid economic growth in the past decade.

Map of Chongqing and Jiefangbei CBD



Note: The detailed plan of CRT Line 10 in Jiefangbei CBD has not yet been published by Municipal Bureau of Urban Planning

Source: Market Consultant's Report

Chongqing has experienced strong economic growth with gross domestic product growth of over 10% annually in the past five years, higher than that of the overall PRC economy, which provides a favourable economic environment for domestic consumption and commercial development.

According to the official website of Jiefangbei CBD, established in 1997, the Jiefangbei Pedestrian Street was the first commercial pedestrian street in China with foot flow of approximately 300,000 visits per day during weekdays and over 1 million visits per day during holidays on average. In addition, Jiefangbei CBD is a traditional district designated by the municipal government as the commercial and trade centre of Chongqing in 2003 with over 60% and 20% of the city's high grade offices and retail shops in terms of GFA, respectively, situated in the area at the end of the 2nd quarter of 2014 according to the Market Consultant's Report.

The Chongqing Property is located in Jiefangbei CBD with high accessibility. Currently, there are three existing Chongqing Rail Transit ("**CRT**") stations in Jiefangbei CBD providing access to Line 1 and Line 2 of the CRT. According to the Market Consultant's Report, an underground ring road connecting all major projects in Jiefangbei CBD is expected to open in 2016 and two additional lines, Line 6 and phase 1 of Line 10, are expected to be in operation by 2016 and 2017 respectively. Moreover, a double deck bridge connecting Jiangbeizui (an emerging district in the Chongqing retail market as explained below) to Jiefangbei is expected to open by the end of 2014. These will significantly improve the connectivity from other regions in Chongqing to Jiefangbei CBD.

Furthermore, according to the Market Consultant's Report, a new financial district is being developed in Wuyi Road (where the Chongqing Property is located) to boost the development of commercial and retail activities. Such development is expected to upgrade the overall environment of the area and drive greater foot flow, strengthening Jiefangbei CBD's status as the core commercial and trade centre of Chongqing.

- ***High quality asset with differentiated positioning***

According to the Market Consultant's Report, the Shopping Mall introduced a different shopping experience to Chongqing residents with competitive and comprehensive offerings including a mid-high end department store, a wide range of international and domestic brands, a food court and a variety of restaurants and leisure amenities including a cinema and an ice-skating rink, attracting greater foot flow and prompting consumers to stay longer in the Shopping Mall. In addition, the Shopping Mall is relatively large in terms of GFA, as compared to other existing and upcoming retail projects in Jiefangbei CBD. As a result, there is limited direct competition for the Shopping Mall within Jiefangbei CBD.

As shown in the Market Consultant's Report, the Office Building is one of the only two Grade-A office buildings in Jiefangbei CBD with single titles (while all other quality offices have strata titles), which, in the view of the REIT Manager, allows for more efficient and high-quality management with ease of optimising the tenant mix to suit its marketing strategy. Such competitive advantage is demonstrated by the well-diversified tenant profile of the Office Building, including a number of multinational corporations and consulates.

As at 31 August 2014, the occupancy rates of the Shopping Mall and the Office Building were 92.5% and 97.3% respectively. According to the Market Consultant's Report, the Shopping Mall's consistent high occupancy rate is a strong testament to its competency. The Market Consultant's Report also states that the Office Building has the highest occupancy rate and rental rate in Jiefangbei CBD due to its overall property construction standard and years of quality management.

- ***Extension of the lifespan of Hui Xian REIT***

Currently, Hui Xian REIT relies on Beijing Oriental Plaza and Sofitel Shenyang Lido for all of its revenue.

BOP, the cooperative joint venture holding the land use rights (expiring in April 2049) and building ownership rights in Beijing Oriental Plaza, has a joint venture period expiring in January 2049, so that the remaining term is approximately 34 years. As disclosed in the Offering Circular, Hui Xian REIT will cease to have any direct or indirect interest in Beijing Oriental Plaza or its income upon the expiry of the joint venture period of BOP in January 2049. Consequently, the value of Hui Xian REIT's investment in BOP will diminish over time and will become zero at the end of the joint venture period of BOP.

Hui Xian REIT acquired Sofitel Shenyang Lido in 2011 with the view of extending the lifespan of Hui Xian REIT. Shenyang Lido, the cooperative joint venture holding the land use rights (expiring in 2042) and building ownership rights in Sofitel Shenyang Lido, has a joint venture period expiring in 2061, so that the remaining term is approximately 46 years. Upon expiry of the joint venture period in 2061, Shenyang Lido will be dissolved. It is expected that the value of Hui Xian REIT's investment in Shenyang Lido will diminish over time and will ultimately become zero at the time of such expiration, even if the land use rights in Sofitel Shenyang Lido are renewed or extended.

Pursuant to the Acquisition, the Chongqing Property will be 100% owned by Hui Xian REIT through the Chongqing Company, a wholly foreign-owned limited liability company which does not have a limited joint venture period like BOP or Sofitel Shenyang Lido. Although the term of operation of the Chongqing Company will expire in November 2043 under the business licence currently in force and the land use rights of the Chongqing Property will expire in August 2044, as advised by the PRC legal advisers of the REIT Manager, the Chongqing Company can apply for the renewal of the term of operation of the Chongqing Company and the extension of the land use rights of the Chongqing Property and in the PRC legal advisers' opinion, these should be granted in principle in accordance with relevant rules and regulations. Upon such renewal and extension, Hui Xian REIT will continue to benefit from the Chongqing Property and its income.

The Acquisition will increase Hui Xian REIT's revenue (and rental related income) and portfolio of assets in the PRC by about 10-11%, as set out below. It will also provide geographic diversity beyond the investments in Beijing Oriental Plaza and Sofitel Shenyang Lido. The revenue and rental related income of the Target Business for the six months ended 30 June 2014 was approximately RMB141.2 million, representing approximately 10.0% of the revenue of the Hui Xian REIT Group during the same period. The Appraised Value of the Chongqing Property as at 31 August 2014 was approximately RMB4,104 million, representing approximately 11.1% of that of the Hui Xian REIT Group's existing portfolio as at 31 December 2013.

2. Market outlook of retail property market and quality office market in Chongqing and comparison between the Existing Properties and the Chongqing Property

2.1 Chongqing macro overview

Chongqing is a major city in an inland part of China and has been selected as a pilot reference city. It is also one of the four direct-controlled municipalities (the other three are Beijing, Shanghai and Tianjin) in the PRC, with total land area of approximately 83,000 square kilometres and population of approximately 33.6 million as at 31 December 2013.

Map of China

Source: Market Consultant's Report

The table below sets out (i) gross domestic product ("**GDP**") growth; (ii) growth in per capita disposable income of urban households; (iii) growth in per capita consumption expenditure of urban households; and (iv) growth in retail sales of consumer goods, of Chongqing and China, during the period from 2009 to 2013:

(Approximately)	2009	2010	2011	2012	2013
Chongqing (the PRC economy)					
GDP growth	14.9% (9.2%)	17.1% (10.4%)	16.4% (9.3%)	13.6% (7.7%)	12.3% (7.7%)
Growth in per capita disposable income of urban households	9.6% (8.8%)	11.3% (11.3%)	15.5% (14.1%)	13.4% (12.6%)	9.8% (9.7%)
Growth in per capita consumption expenditure of urban households	8.9% (9.1%)	9.8% (9.8%)	12.3% (12.5%)	10.7% (10.0%)	7.5% (8.1%)
Growth in retail sales of consumer goods	15.5% (15.5%)	18.5% (18.3%)	18.7% (17.1%)	16.0% (14.3%)	14.0% (13.1%)

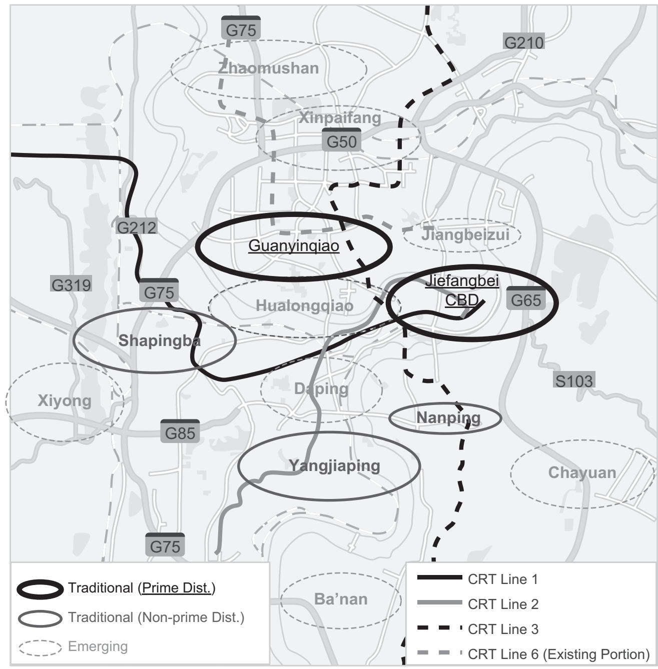
Source: 國家統計局 (National Bureau of Statistics of China) and 重慶統計信息網 (Statistical Information of Chongqing)

Chongqing has recorded significant economic growth in the past five years, achieving generally higher annual GDP growth than the PRC as a whole. In 2013, Chongqing's GDP reached approximately RMB1,265.1 billion. During the same period, Chongqing's per capita disposable income and consumption expenditure have also experienced strong growth. With increasing disposable income, growth in retail sales in Chongqing have surpassed those of the PRC since 2009. Retail sales in Chongqing in 2013 ranked 1st in inland China and 4th nationally. As mentioned in the Market Consultant's Report, it is expected that the positive economic prospects, with continued government support, will further stimulate the growth of Chongqing's retail market.

2.2 Chongqing's retail market analysis

There are five traditional precincts (the "**Traditional Districts**") in the Chongqing retail market, namely Jiefangbei CBD, Guanyinqiao, Yangjiaping, Nanping and Shapingba. According to the Market Consultant's Report, in addition to the Traditional Districts mentioned above, there are eight emerging precincts (the "**Emerging Districts**") in the Chongqing retail market contributing to retail supply in the coming years. Up to the second quarter of 2014, in terms of retail floor space, retail supply amounted to approximately 2.6 million sq. m., comprising approximately 2.1 million sq. m. in the Traditional Districts and approximately 0.5 million sq. m. in the Emerging Districts. The retail supply in Jiefangbei CBD amounted to approximately 542,514 sq. m., representing approximately 26% of the retail supply in the Traditional Districts at the end of the second quarter of 2014.

Traditional Districts and Emerging Districts in Chongqing



Source: The Market's Consultant Report

Nevertheless, due to the differentiated positioning of the Shopping Mall as explained in sub-section headed "1.4 Reasons for, and benefits of, the Acquisition" above, there are limited direct competitions for the Shopping Mall within Jiefangbei CBD. As advised by the Market Consultant, the only direct competition with the Shopping Mall in Jiefangbei CBD is Chongqing Times Square, being developed by a Hong Kong property developer. According to the Market Consultant's Report, the Shopping Mall, with a larger scale than Chongqing Times Square, has an established customer base, a comprehensive retail offering, a strong brand recognition and a good rental performance.

It is expected that over 3.1 million sq. m. of retail floor spaces will be available in the market by the end of 2018 with most of the new supply coming from the Emerging Districts or the Non-prime Districts (as defined below), intensifying competition. Due to scarce land supply, the upcoming projects in the Traditional Districts are relatively small in scale. This indicates that the centralised retail market in Chongqing is expected to expand in the coming years.

With its long-established status since 1997 as a core business district, Jiefangbei CBD is able to attract residents throughout the city as well as domestic and foreign tourists whereas other districts attract mostly local residents. Given the difference in target consumers and market positioning, the Traditional Districts, including Jiefangbei CBD, are not expected to be significantly affected by competition from the Emerging Districts in the near future. Moreover, with smaller scale and different market positioning, the upcoming retail projects in Jiefangbei CBD will pose limited direct competition to the Shopping Mall.

At the end of the second quarter of 2014, the retail vacancy rates in prime retail precincts (i.e. Jiefangbei CBD and Guanyinqiao) (the "**Prime Districts**") and in non-prime retail precincts (i.e. Yangjiaping, Nanping and Shapingba) (the "**Non-prime Districts**") were approximately 4.0% and 5.6% respectively whereas the monthly average rents on first floor retail in the Prime Districts and the Non-prime Districts were approximately RMB829.9 per sq. m. and RMB574.6 per sq. m., respectively.

2.3 Chongqing's quality office market analysis

According to the Market Consultant's Report, in the second quarter of 2014, in terms of GFA, approximately 62% of quality office supplies in Chongqing was located in Jiefangbei CBD. In the second quarter of 2014, the occupancy rate of quality offices in Jiefangbei CBD was approximately 80%. The 80% occupancy rate did not take into account the two new projects in 2014 given that new projects in Jiefangbei CBD normally take about two years to mature. The Office Building has the highest occupancy rate and rental rate among all properties in Jiefangbei CBD.

As mentioned in sub-section headed "1.4 Reasons for, and benefits of, the Acquisition" above, the Office Building is one of the only two Grade-A office buildings in Jiefangbei CBD with single title ownership, allowing for more efficient and high-quality management, as evidenced by its prestigious tenant mix including a number of multinational corporations and consulates. The other Grade-A office building with single title ownership is situated in the far west of Jiefangbei CBD and currently has a lower occupancy rate as it only became available to the market in the first quarter of 2014, according to the Market Consultant's Report.

It is expected that a significant portion of the supply of office buildings will come from Jiangbeizui, one of the Emerging Districts. According to the Market Consultant's Report, all future supply is expected to be of strata titles, which may cause challenges to leasing and property management. The single title ownership, coupled with a high quality tenant mix, will continue to be a key competitive advantage of the Office Building.

2.4 Overall comment

The retail supply in Chongqing in terms of GFA will substantially increase in the coming four years. However, most of this supply comes from the Emerging Districts, the target consumers of which are mainly local residents. The upcoming retail projects in Jiefangbei CBD are of a smaller scale which hinders them from creating a good tenant mix. As a result, it is expected that the Shopping Mall will not be significantly affected by the upcoming competition from the Emerging Districts or from Jiefangbei CBD.

As regards the quality office market in Chongqing, Jiefangbei CBD, being a traditional commercial and financial centre, has wide appeal to international and domestic financial companies due to its mature business facilities and improving transportation network. Despite the upcoming new supply, the Office Building will retain a competitive edge given its single title ownership and prestigious tenant mix.

Independent Unitholders' attention is drawn to the Independent Valuation Report and the Market Consultant's Report contained in Appendix III and IV of the Circular respectively which set out, among other things, (i) further information on the Chongqing Property; (ii) information on the market environment for the retail and commercial property markets in Chongqing; and (iii) the market outlook for the retail and commercial property markets in Chongqing.

2.5 Comparison between the Existing Properties and the Chongqing Property

Set out below is a table showing a comparison of the key information and operating statistics between the Chongqing Property and the Existing Properties:

	Existing Properties	Chongqing Property
	As at/for the six months ended 30 June 2014	As at/for the eight months ended 31 August 2014
Main use	(in terms of GFA) Retail (inclusive of car park): 31% Office: 36% Serviced apartment: 9% Hotel: 24%	(in terms of GFA) Retail (inclusive of car park): 67% Office: 33%
Occupancy rate	Retail: 99.1% Office: 95.5% Serviced apartment: 84.5% Grand Hyatt Beijing: 55.5% Sofitel Shenyang Lido: 33.1% (*Note 1*)	Retail: 92.5% Office: 97.3% (*Note 2*)
Revenue and rental related income (RMB million):		
– for the year ended 31 December 2013	2,765	282
– for the six months ended 30 June 2014	1,411	141
Appraised value (RMB million)	37,040 (*Note 3*)	4,104
Gross rental yield (%) (Note 4)	2013: 7.46 2014 H1: 3.81	2013: 6.87 2014 H1: 3.44

Notes:

1. Source: Interim Report
2. Being the occupied lettable area divided by the total lettable area as at 31 August 2014, taking into account the Owner-occupied Units.
3. Based on the valuation performed by American Appraisal China Limited as at 31 December 2013, as disclosed in the Annual Report.
4. Based on the revenue and rental related income for the year ended 31 December 2013 or the six months ended 30 June 2014, divided by the respective appraised values.

The Acquisition is expected to increase the retail portion (inclusive of car park) of Hui Xian REIT's portfolio from approximately 31% to approximately 37% in terms of GFA upon Completion. The retail (and office) portions of the Existing Properties and the Chongqing Property are relatively mature with occupancy rates over 90%, indicating that their future growth will be largely dependent on reversionary leases.

Based on the Appraised Value of the Chongqing Property, the revenue and rental related income for the year ended 31 December 2013 and the six months ended 30 June 2014 represented a gross yield of approximately 6.87% and 3.44% respectively. Given that Hui Xian REIT is acquiring an interest in the Chongqing Property at a discount to the Appraised Value, the gross yield for the year ended 31 December 2013 and the six months ended 30 June 2014, if based on the Attributable Value, will rise to approximately 7.21% and 3.61% respectively, comparable to those of the Existing Properties. The gross yield based on the Guaranteed Income Level and the Attributable Value is approximately 7.65%.

We concur with the REIT Manager that the Chongqing Property will diversify Hui Xian REIT's portfolio geographically and reduce the extent of reliance of Hui Xian REIT's income stream from the Existing Properties.

3. Financial information of the Target Business

3.1 Financial performance

The accountant's report in respect of the Target Business (the "**Accountant's Report**") is set out in Appendix I to the Circular. Set out below is a summary of the financial performance of the Target Business as extracted from the combined statements of comprehensive income of the Target Business for the three years ended 31 December 2013 and for the six months ended 30 June 2014:

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue	256,836	263,212	275,924	136,382	138,038
Rental related income	4,107	4,750	5,970	3,317	3,187
Sub-total	260,943	267,962	281,894	139,699	141,225
Profit for the year/period	185,617	181,312	110,714	57,943	1,261,451

The revenue mainly represents the rental income generated from the Chongqing Property. The revenue and rental related income of the Target Business increased moderately by approximately 2.7% and 5.2% in 2012 and 2013 respectively, as compared to the previous year. Profit after taxation decreased by approximately 2.3% and 38.9% respectively during the same period, mainly because of foreign exchange gain arising from balances with related companies denominated in HK$, interest income generated from loan to related companies, changes in fair value of investment properties and/or finance costs associated with bank loans and amount due to related companies.

The decrease in profit after taxation in 2013 was mainly attributable to the change in fair value of investment properties from a gain of approximately RMB48.4 million in 2012 to a loss of approximately RMB1.4 million in 2013 and the increase in interest expenses on bank loans by approximately RMB39.8 million due to increased borrowings for granting entrusted loans to related companies. The interest expenses on bank loans in 2013 was approximately RMB118.6 million, comparable to the interest income (i.e. approximately RMB115.3 million) generated from loan to related companies during the same year. All bank loans and entrusted loans will be repaid and settled in full before Completion pursuant to the Sale and Purchase Agreement.

The revenue and rental related income of the Target Business for the six months ended 30 June 2014 increased by 1.1% as compared to the corresponding period in 2013. The significant increase in profit was mainly attributable to the fair value gain of investment properties of approximately RMB1,603.0 million during the period.

3.2 Financial position

Set out below summarise the combined statements of financial position of the Target Business as at 31 December 2011, 2012 and 2013 and as at 30 June 2014;

	As at 31 December			As at 30 June 2014
	2011	2012	2013	
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	2,453,761	2,698,673	2,715,585	4,326,596
include:				
Investment properties	2,450,000	2,500,000	2,500,000	4,103,000
Loans to a related company	—	190,000	190,000	190,000
Current assets	1,605,424	1,968,722	1,930,127	1,909,447
include:				
Loans to related companies	1,446,000	1,640,000	1,628,281	1,521,468
TOTAL ASSETS	4,059,185	4,667,395	4,645,712	6,236,043
Current liabilities	814,298	210,490	214,672	210,884
include:				
Bank loans	748,876	140,000	140,000	140,000
NET CURRENT ASSETS	791,126	1,758,232	1,715,455	1,698,563
Non-current liabilities	1,419,131	2,280,483	2,143,904	2,476,572
include:				
Bank loans	590,000	1,600,000	1,460,000	1,380,000
Loans from shareholders	336,876	164,804	159,654	164,816
Deferred tax liabilities	450,545	470,827	478,526	888,269
TOTAL LIABILITIES	2,233,429	2,490,973	2,358,576	2,687,456
TOTAL EQUITY	1,825,756	2,176,422	2,287,136	3,548,587

As noted in the Accountant's Report, as at 30 June 2014, investment properties and loans to related companies were approximately RMB4,103.0 million and RMB1,711.5 million, representing approximately 65.8% and 27.4% of the Target Business's total assets, respectively. The investment properties were stated at fair value as at 30 June 2014 based on the valuation performed by the Independent Property Valuer. Loans to related companies as at 30 June 2014 included approximately RMB1,305.5 million of entrusted loans through banks to related companies. These will all be repaid and settled in full before Completion pursuant to the Sale and Purchase Agreement.

As at 30 June 2014, total liabilities of the Target Business amounted to RMB2,687.5 million, which mainly consisted of bank loans of RMB1,520.0 million, deferred tax liabilities of approximately RMB888.3 million and loans from shareholders of approximately RMB164.8 million. All the existing bank loans of the Target Business will be repaid and settled in full before Completion pursuant to the Sale and Purchase Agreement. Deferred tax liabilities mainly arose from changes in fair value of investment properties, which will only crystallise if and when the investment properties are disposed. Deferred tax liabilities as at 30 June 2014 were calculated principally based on the PRC enterprise income tax rate times the excess of the fair value of the investment properties as at that date over their book values as at 31 December 2013. Except for the Sale Loans which will be assigned to the Purchaser upon Completion, all other related party balances will be settled prior to Completion.

The valuation of the investment properties as at 30 June 2014 was appraised by the Independent Property Valuer whereas that as at 31 December 2013 was determined by another property valuer. Both valuations have been principally arrived at by using the income capitalisation approach (as discussed in details below). We noted that the investment properties increased by approximately RMB1,603 million (or 64.1%) from approximately RMB2,500 million as at 31 December 2013 to approximately RMB4,103 million as at 30 June 2014. We were given to understand from the Accountant's Report that the difference in valuation was attributable to the increase in average rent and the different capitalisation rates determined by the valuers. Accordingly, such difference in valuation was primarily due to different assumptions adopted in the respective valuations. For details of the assumptions adopted in the two valuations, please refer to note 14 to the financial information of the Target Business set out in Appendix I to the Circular.

Given that (i) the Independent Property Valuer was appointed by the REIT Manager and the Trustee; and (ii) the Appraised Value of RMB4,104 million as at 31 August 2014, which is more or less the same as the valuation of investment properties as at 30 June 2014 (i.e. RMB4,103 million), is the most recent valuation, we consider the Appraised Value more relevant to assessing the Consideration. We have discussed with the Independent Property Valuer and considered that the bases and assumptions adopted in arriving at the Appraised Value are fair and reasonable and in line with the market practice. Please refer to the section headed "4. Valuation of the Chongqing Property" below for our assessment of the valuation of the Chongqing Property.

4. Valuation of the Chongqing Property

The Appraised Value of the Chongqing Property as at 31 August 2014 was approximately RMB4,104 million, as appraised by the Independent Property Valuer.

4.1 Valuation methodologies

As stated in the Independent Valuation Report in Appendix III to the Circular, the Independent Property Valuer has adopted the income capitalisation approach in arriving at the Appraised Value which was then cross-checked by the direct comparison approach.

We have discussed with the Independent Property Valuer (i) the rationale for adopting the income capitalisation approach in valuing the Chongqing Property; and (ii) the bases and assumptions adopted in arriving at the Appraised Value using the income capitalisation approach.

According to the Independent Property Valuer, the income capitalisation approach is the most appropriate valuation method for assessing the market value of the Chongqing Property given the income generating nature of the Chongqing Property. The market value of the Chongqing Property using the income capitalisation approach was then cross-checked by comparable asking prices in the categories of retail malls, office buildings and car park in Chongqing. As advised by the Independent Property Valuer, there is no recent en-bloc comparable sale and purchase transaction in Chongqing and therefore reference can only be made to individual strata-title property transactions in the locality.

Based on our review of the Independent Valuation Report and our discussion with the Independent Property Valuer, we consider that the valuation methodologies adopted by the Independent Property Valuer are a commonly used, reasonable and acceptable approach for establishing the market value of the Chongqing Property.

4.2 Valuation bases and assumptions

The two key drivers of the Appraised Value using the income capitalisation approach are the income stream and the capitalisation rate.

The income stream to be received by the Chongqing Company in the future is principally based on the existing unexpired contractual tenancies of the Chongqing Property and the turnover rent and other income for the period from September 2013 to August 2014, whereas vacant units are assumed to be let at their respective market rents as at the valuation date. Turnover rent is charged based on a percentage of the turnover of the tenant's business. Upon expiry of the existing tenancies, each unit is assumed to be let at its market rent as at the valuation date. The capitalisation rates adopted by the Independent Property Valuer are determined with reference to the yields achieved in comparable sale transactions in first-tier and second-tier cities in the PRC.

As a supporting approach, the direct comparison approach is used to cross-check the Appraised Value. In this regard, comparable asking prices in the categories of retail malls, office buildings and car park in the region around the date of valuation were collected and analysed, which were then adjusted to account for the discrepancies between the Chongqing Property and the market comparables including the location, age, size and building quality.

Taking into account that the Appraised Value is principally based on certain objective parameters including the contractual terms of the tenancies of the Chongqing Property and the market yields achieved in comparable transactions, we consider that the bases and assumptions adopted in arriving at the Appraised Value using the income capitalisation approach are fair and reasonable and in line with the market practice.

5. Principal terms of the Sale and Purchase Agreement

5.1 Subject matter

On 10 November 2014, the Purchaser, the Vendors and the Guarantors entered into the Sale and Purchase Agreement, pursuant to which the Purchaser conditionally agreed to acquire or procure its nominee to acquire from the Vendors the entire issued shares of the Target Company and the Sale Loans. The Target Company, incorporated in Hong Kong, owns the entire interest in the Chongqing Company which in turn is the registered legal owner of the land use rights and building ownership rights underlying the Chongqing Property.

For the key parameters of the costs relating to the Acquisition, please refer to sub-section headed "5.7 One-off transaction costs" below.

5.2 Consideration

5.2.1 Initial Consideration

The Consideration payable in respect of the Acquisition shall be (i) the Adjusted Asset Value of the Target Group as at Completion; and (ii) the Final Net Distribution, subject to the Overall RMB Cap of RMB4,100 million.

The Adjusted Asset Value of the Target Group refers to:

(a) the Attributable Value of the Chongqing Property of RMB3,910 million;

(b) plus the current assets less the current and non-current liabilities of the Target Group as at Completion; and

(c) minus the Distribution, being an amount equal to the profit after tax of the Chongqing Company for the period from 1 January 2014 to the date of Completion which remains undistributed as at the date of Completion after deducting therefrom an amount which the Chongqing Company would be required to allocate to the statutory reserve pursuant to the relevant PRC laws and regulations.

The item (b) above shall exclude:

(i) receivables which are in the nature of amortisation for rent free periods under tenancies and licences;

(ii) the carrying value of the Chongqing Property;

(iii) deposits already forfeited as other income;

(iv) the Sale Loans; and

(v) any deferred tax liabilities in respect of revaluation and depreciation allowances of the Chongqing Property.

The consideration for the Sale Loans, being the principal amount of such loans as at Completion, shall be payable by the Purchaser to the Vendors in cash in HK$ at Completion. The Initial Share Consideration shall be the HK$ Equivalent (calculated as at 15 Business Days before the date of Completion) of the Adjusted Asset Value based on a pro forma consolidated balance sheet of the Target Group as at Completion less the Total Loan Consideration, which shall be payable by the Purchaser to the Vendors at Completion.

Under the Sale and Purchase Agreement, the Vendors have undertaken to procure that all labour contracts and employment relationship between the Chongqing Company and all its Employees shall have been effectively terminated on or before the date of Completion in accordance with relevant PRC laws and regulations and all amounts payable by the Chongqing Company to the Employees shall have been fully paid on or before the date of Completion. Given the implementation of such arrangement may take time and the Chongqing Company may continue to directly employ certain Employees (i.e. the Remaining Employees) after Completion, the Vendors shall procure the Chongqing Company to make relevant provision (i.e. the Employment Provision) in the consolidated balance sheet of the Target Group as at the date of Completion for settlement of (i) all amounts to be paid by the Chongqing Company after Completion in connection with the labour contracts or the employer-employee relationship between the Remaining Employees and the Chongqing Company and the termination thereof; and (ii) all amounts to be paid by the Chongqing Company to the Remaining Employees after Completion for the purpose of securing the termination of their labour contracts or employer-employee relationships (i.e. the Employment Liabilities). The Consideration shall take into account the Employment Provision. In case the actual liabilities exceed the Employment Provision, the Vendors shall pay the difference to the Purchaser.

The Initial Share Consideration shall be subject to further adjustment based on the audited income statement of the Chongqing Company for the period from 1 January 2014 to the date of Completion and the audited consolidated balance sheet of the Target Group as at the date of Completion, as explained below.

5.2.2 Adjustment to the Consideration

Within 150 days after Completion, the audited income statement of the Chongqing Company for the period from 1 January 2014 to the date of Completion and the audited consolidated balance sheet of the Target Company (the "**Audited Financial Statements**") as at the date of Completion shall be prepared for the purpose of determining the final Consideration. The Certified Sum is the Adjusted Asset Value as at the date of Completion, as audited and certified by the Certifying Accountants, less the Total Loan Consideration.

After the Audited Financial Statements are determined:

(i) if the Certified Sum is higher than the Initial Share Consideration, the Purchaser shall pay 50% of such difference to each of the Vendors; and

(ii) if the Certified Sum is lower than the Initial Share Consideration, each of the Vendors shall refund 50% of such difference to the Purchaser.

The Final Distribution is the Distribution as audited by the Certifying Accountants. The Final Net Distribution refers to the Final Distribution after deducting therefrom the amount of withholding tax payable on the Final Distribution upon the distribution of the Final Distribution by the Chongqing Company according to the relevant PRC laws and regulations and any applicable tax treaties. The Purchaser will pay to each of the Vendors an amount equal to 50% of the HK$ Equivalent as at the date of Completion of the Final Net Distribution on or before 30 September 2015 in cash, provided that the Consideration is subject to the Overall RMB Cap.

The Consideration has not taken into account the deferred tax liabilities as at Completion attributable to changes in fair value of investment properties and accelerated depreciation allowances (the "**Deferred Tax Liabilities**"). As disclosed in the letter from the Board to the Unitholders contained in the Circular, the Chongqing Property is expected to be held by Hui Xian REIT on a long-term basis and that the Acquisition is expected to mitigate Hui Xian REIT's risk of limited lifespan before the expiry of the joint ventures holding Beijing Oriental Plaza and Sofitel Shenyang Lido in 2049 and 2061 respectively. On this basis, we concur with the REIT Manager that the Deferred Tax Liabilities are unlikely to crystallise through a disposal. The basis of the Consideration is a commercial point to be agreed upon between the Purchaser and the Vendors having regard to the particular facts and circumstances. Given that we have reviewed similar transactions by REITs in which the consideration was determined without taking into account any deferred tax provision and that the Chongqing Property is intended to be held by Hui Xian REIT as a long-term investment, we consider the exclusion of the Deferred Tax Liabilities when setting the Consideration is in line with the market practice. The life of the Chongqing Company holding the Chongqing Property is longer than the expiry of Hui Xian REIT's joint ventures holding its other properties in 2049 and 2061 respectively after the renewal of the term of operation of the Chongqing Company and the extension of the term of the land use rights of the Chongqing Property.

On the basis that (i) the Appraised Value is fair and reasonable as explained in the section headed "4. Valuation of the Chongqing Property" above; (ii) the Sale Loans shall be acquired by the Purchaser on a dollar-to-dollar basis; (iii) Hui Xian REIT is purchasing the Chongqing Property at a discount of approximately 4.7% to the Appraised Value; (iv) the exclusion of the Deferred Tax Liabilities in arriving at the Consideration is in line with the market practice; (v) the Overall RMB Cap was arrived at after arm's length negotiation among the relevant parties and the imposition of which is to the benefit of the Purchaser; and (vi) any shortfall in the Employment Provision shall be paid by the Vendors, we consider the Consideration to be fair and reasonable.

5.3 Conditions Precedent

Completion of the Acquisition is conditional upon the satisfaction or waiver of the following main conditions:

(i) the approval by the Independent Unitholders of the Sale and Purchase Agreement and the other Transaction Documents, and the transactions contemplated thereunder;

(ii) obtaining the relevant waivers from the SFC and approvals of the Independent Unitholders at a general meeting of Hui Xian REIT in respect of transactions of the Target Group Companies which will constitute connected party transactions of Hui Xian REIT following Completion;

(iii) all the Entrusted Loans and the Existing Bank Loans having been repaid and settled in full and all underlying security relating to the Existing Bank Loans having been fully discharged and released;

(iv) the licences, authorisations, orders, grants, confirmations, consents, permissions, registrations and other approvals necessary (if any) for the Acquisition and the Transaction Documents (and the transactions thereunder) having been obtained from third parties (including governmental or official authorities, courts or other regulatory bodies) on terms reasonably satisfactory to the REIT Manager and remaining in full force and effect; and

(v) new banking facilities of an amount of not less than HK$4,000 million or RMB3,128 million being in place and available for drawdown by the Purchaser or the Hui Xian REIT Group.

Conditions Precedent (i) and (ii) above cannot be waived whereas others may be waived (to the extent permitted by the REIT Code, the Listing Rules and other applicable laws, rules and regulations) at the Purchaser's absolute discretion at any time before Completion either in whole or in part by notice in writing to the Vendors. We consider the Conditions Precedent are normal for contracts similar to this type.

Completion shall take place on (i) 29 December 2014, if all the Conditions Precedent are fulfilled or (where applicable) waived prior to 29 December 2014; or (ii) the 10^{th} Business Day after the fulfilment (or, where applicable, waiver) of all Conditions Precedent, if all the Conditions Precedent are fulfilled (or waived where applicable) on or after 29 December 2014; or (iii) such other date (not being later than the Long Stop Date) as may be agreed between the Vendors and the Purchaser. If any of the Conditions Precedent is not fulfilled or waived by the Purchaser on or before the Long Stop Date, the Sale and Purchase Agreement shall lapse and be of no further effect.

5.4 Representations, warranties and indemnities

As disclosed in the letter from the Board to the Unitholders contained in the Circular, the Sale and Purchase Agreement contains certain representations and warranties made by the Vendors in respect of the Sale Shares, the Sale Loans, the Target Group and the Chongqing Property.

No claims shall be brought by the Purchaser for any breach of the representations and warranties given by the Vendors under the Sale and Purchase Agreement or under the Deed of Tax Covenant (as explained below) unless each single claim exceeds RMB200,000 and such claims, in aggregate, exceed RMB1,000,000, in which case that party shall be liable for the whole amount of the claim or claims and not only for the excess over RMB1,000,000. Such limitation will not apply to claim relating to the Employment Liabilities, the warranties given by the Vendors under the Sale and Purchase Agreement in relation to employment matters, the Hotel Transfer or the Circular 698 Obligations (as explained below).

The limitation period for any claims in respect of the representations and warranties given by the Vendors is 21 months from the date of Completion except that (i) for claims relating to taxation or the Circular 698 Obligations (as explained below), the period is 7 years from the date of Completion; and (ii) for claims under the Deed of Tax Covenant (as explained below) (other than those relating to the Hotel Transfer), the period is 7 years from the date of the Deed of Tax Covenant (i.e. the date of Completion). Such limitation will not apply to any claim relating to, among other things, the Hotel Transfer and the Employment Liabilities.

The aggregate maximum liability of the Vendors and the Guarantors in respect of all claims under the Transaction Documents is subject to a maximum amount equal to the Consideration or the Overall RMB Cap, whichever is the lower amount. There will not be any limitation on the maximum liability of the Vendors and the Guarantors for any claim relating to, among other things, the Hotel Transfer.

We have reviewed several other sale and purchase agreements of other transactions similar to the Acquisition and observed that the limitation periods for claims by the purchasers varied widely from one transaction to another and is generally commercially agreed between the parties concerned. We consider that the maximum liability of the Vendors is in line with the general market practice.

Pursuant to the Sale and Purchase Agreement, the HWL Guarantor and the CKH Guarantor have also guaranteed the proper and punctual performance by Joinpower and Cheerjoy, respectively, of all their respective obligations under the Sale and Purchase Agreement. This gives comfort to the Independent Unitholders as to the ability to recover losses incurred due to breaches of the Sale and Purchase Agreement by the Vendors and is beneficial to the Unitholders.

5.5 Deed of Income Guarantee

Pursuant to the Sale and Purchase Agreement, the Vendors shall deliver to the Purchaser the Deed of Income Guarantee at Completion. Under the Deed of Income Guarantee, each of the Vendors shall guarantee to the Purchaser that the Chongqing Company's Total Income shall not be less than the Guaranteed Income Level of RMB299.28 million per annum for each of the five years ending 31 December 2018 (if Completion takes place in 2014) or for each of the five years ending 31 December 2019 (if Completion takes place in 2015).

In the event of any income shortfall in a relevant year, each of the Vendors shall pay to the Purchaser 50% of the HK$ Equivalent as at 31 December of that financial year of such shortfall. If the Total Income exceeds the Guaranteed Income Level in a relevant year, the Purchaser shall be entitled to the benefit of the surplus absolutely. The total amount of all payments to be made by the Vendors to meet any income shortfall during the five-year period shall not exceed the Income Guarantee Cap of RMB100 million. The payment obligation of the Vendors under the Deed of Income Guarantee shall not arise until the Purchaser has fulfilled its obligation, if any, under the Sale and Purchase Agreement to pay the Final Net Distribution to the Vendors.

We have discussed with the REIT Manager the bases for determining the Guaranteed Income Level and the Income Guarantee Cap and noted that the former is determined principally based on the historical performance of the Target Business as set out in Appendix I to the Circular whereas the latter is commercially agreed between the parties concerned.

We concur with the REIT Manager that the entering into of the Deed of Income Guarantee is beneficial to Hui Xian REIT and the Unitholders given that it provides, to some extent, certainty to the Total Income from the Chongqing Property after Completion. As disclosed in the letter from the Board to the Unitholders contained in the Circular, the REIT Manager is of the view that it is unlikely that the Income Guarantee Cap will be used up during the five-year period after Completion, after considering the historical income generated by the Chongqing Property in 2013 and for the six months ended 30 June 2014. As such, we share the same view with the REIT Manager if the business environment in the relevant period after Completion would be the same as that in 2013 and 2014 and that similar level of income would be generated by the Target Business, and consider that the basis in arriving at the Guaranteed Income Level, which is based on historical performance of the Target Business, is fair and reasonable.

5.6 Deed of Tax Covenant

Pursuant to the Deed of Tax Covenant, which shall be delivered by the Vendors to the Purchaser at Completion under the Sale and Purchase Agreement, each of the HWL Indemnifiers and the Cheung Kong Indemnifiers shall severally covenant to indemnify the Purchaser 50% (i.e. the Purchaser will be 100% indemnified) in connection with:

(i) any liabilities to taxation falling on any Target Group Companies or in respect of the Chongqing Property resulting from any transactions, events or matters which occurred or were effected on or before the date of the Deed of Tax Covenant or in respect of any gross receipts, income, profits or gains earned, accrued, received by any Target Group Company on or before the date of the Deed of Tax Covenant;

(ii) any and all liability of any Target Group Companies in respect of taxation resulting from the Acquisition (excluding any liability for stamp duty) or the Hotel Transfer, including but not limited to any tax liabilities which may be imposed by any PRC tax authorities on any Target Group Companies pursuant to Circular 698; and

(iii) any losses and any reasonable costs (including legal and professional costs) and expenses incurred by the Target Group Companies or the Purchaser in connection with any tax liability giving rise to a claim under the Deed of Tax Covenant.

Pursuant to the Sale and Purchase Agreement, the Vendors have undertaken to attend to all filing, notification and other obligations of the Vendors and the Target Group pursuant to Circular 698 (i) as it was in force at the date of Completion; or (ii) as it is deemed to have been in force at the date of Completion by virtue of an amendment to or re-enactment of Circular 698 issued within 7 years of the date of Completion (i.e. the Circular 698 Obligations) in respect of the Acquisition and the Hotel Transfer.

As the Acquisition does not involve a direct onshore transfer of the Chongqing Property, the REIT Manager expects that no potential land appreciation tax ("**LAT**") and enterprise income tax relating to revaluation and depreciation allowances of the Chongqing Property ("**EIT**") will arise in connection with the Acquisition. As advised by the PRC legal advisers to the REIT Manager, it is common for non-resident enterprises to acquire assets in the PRC, and subsequently sell them, through an indirect equity transfer using offshore entities, as in the case of the Acquisition, in which no LAT and EIT would arise. If the Hui Xian REIT Group were to dispose of the Chongqing Property through a direct onshore transfer of the property interests in the future, it is expected that LAT would be levied on the Hui Xian REIT Group based on the sales proceeds less deductible costs which are calculated by reference to the original land acquisition and development costs incurred by the Chongqing Company, not Hui Xian REIT's cost of acquiring the Target Company, and the corresponding EIT would be levied on the Chongqing Company accordingly. Given the present intention of the REIT Manager for the Hui Xian REIT Group to hold the Chongqing Property for long-term investment purpose rather than for sale and that a sale, if it took place, would likely be of the offshore holding structure, the REIT Manager considers it very unlikely that any LAT and EIT liabilities will crystallise and therefore no account has been taken of any contingent LAT and EIT in agreeing the Consideration. We concur with this treatment.

5.7 One-off transaction costs

Upon Completion, certain one-off transaction costs will be paid by Hui Xian REIT to the REIT Manager and the Trustee in relation to the Acquisition, as set out below:

	Approximately RMB million
The Manager's Acquisition Fee	39.1
Transaction and related costs (*Note*)	19.9
Total one-off transaction costs	59.0

Note:

Transaction and related costs include other estimated fees and expenses, such as stamp duty and professional fees which are incurred or expected to be incurred by Hui Xian REIT in connection with the Acquisition. They also include any expenses incurred by the Trustee and reimbursed by Hui Xian REIT, including any transaction fee in connection with the Acquisition should the Acquisition proceed to Completion.

Upon Completion, the REIT Manager will be entitled to receive the Manager's Acquisition Fee of RMB39.1 million in accordance with the Trust Deed, which is equal to 1% of the Attributable Value. As set out in the letter from the Board to the Unitholders contained in the Circular, the REIT Manager has elected to receive the Manager's Acquisition Fee entirely in the form of new Units, with such election subject to the approval of Independent Unitholders by way of an Ordinary Resolution at the EGM.

The election of the Manager Acquisition Fee Units is permissible under the Trust Deed subject to the Independent Unitholders' approval and the mechanism in determining the issue price of the Manager Acquisition Fee Units is in accordance with the Trust Deed.

In addition to the one-off transaction costs set out above, under the Trust Deed, the REIT Manager and the Trustee are entitled to receive certain ongoing fees and charges to be paid out of the Deposited Property following Completion, the details of which are set out in the section headed "(G) Fees and charges – 3. Ongoing fees payable to the REIT Manager and the Trustee in relation to the Chongqing Property following Completion" in the letter from the Board to the Unitholders contained in the Circular.

6. *Financing plan of the Consideration*

Set out below is a summary of the financing plan for the Consideration:

Consideration	Financing	Interest rate
Approximately 80% of the Consideration	The proceeds from the bank borrowings (the "**New Facilities**")	HIBOR plus 1.55%
Remaining balance of the Consideration	Internal resources of the Hui Xian REIT Group	n/a

Based on the above and the three-month HIBOR of approximately 0.37% as at the Latest Practicable Date, the financing cost of the New Facilities would be approximately 1.92% per annum, exclusive of the front end fees under the New Facilities. According to the Annual Report, the weighted average effective interest rate on bank loans was approximately 2.3% per annum as at 31 December 2013.

The Acquisition will be principally financed by way of bank borrowings, which we consider prudent in current market conditions, given (i) the current distribution policy of Hui Xian REIT; and (ii) the low gearing level of Hui Xian REIT relative to other REITs listed on the Stock Exchange (the "**Listed REITs**") as discussed below; and (iii) the current financing cost of the New Facilities as mentioned above.

It is the REIT Manager's stated policy to distribute at least 90% of Hui Xian REIT's annual distributable income starting from the financial year ended 31 December 2013. For the year ended 31 December 2013 and the six months ended 30 June 2014, the REIT Manager distributed 100% of Hui Xian REIT's distribution income. As a result, having considered the general working capital requirement of the Hui Xian REIT Group, it would be desirable for Hui Xian REIT to finance the Acquisition mostly by bank borrowings, unless new Units are issued (see below).

As at 30 June 2014, the gearing ratio of Hui Xian REIT, being the debt to gross asset value, was approximately 9.2%. As disclosed in the Interim Report, this gearing level provides Hui Xian REIT with ample debt headroom for potential acquisitions. It is intended that approximately 80% of the Consideration will be financed by the New Facilities. This will bring the overall gearing ratio of Hui Xian REIT, taking into account the settlement of the Existing Bank Loans, the Entrusted Loans and related party balances and the drawdown of the New Facilities, to approximately 15.4%, according to the unaudited pro forma financial information of the Enlarged Group as set out in Appendix II to the Circular, which is well below the 45% limit as stipulated in the REIT Code and also below the gearing ratios of most of the Listed REITs. Except for one Listed REIT with a gearing ratio of 11.0%, all the other Listed REITs have gearing ratios ranging from 23.5% to 33.5% according to their latest published financial reports.

Financing the Acquisition entirely by way of equity, which usually involves a discount to the market price, would inevitably result in an immediate dilution to existing Independent Unitholders' net asset value per Unit, given that the Units are currently traded at a significant discount to the net asset value per Unit. As at the Latest Practicable Date, the closing Unit price was RMB3.31, representing a discount of approximately 39.3% to the net asset value per Unit of approximately RMB5.4487 as at 30 June 2014.

Taking into account that (i) the New Facilities represent approximately 7% of the total gross asset value of Hui Xian REIT as at 30 June 2014; (ii) the New Facilities are intended to be repaid within three years from the date of drawdown; and (iii) the REIT Manager will monitor interest rate exposure and will consider hedging interest rate exposure should the need arise as stated in the Annual Report, the REIT Manager does not consider that there is a significant risk associated with changes in interest rates for the New Facilities in the future.

Independent Unitholders are reminded that the proposed terms of the New Facilities disclosed above do not represent the complete set of the actual terms and conditions. As advised by the REIT Manager, the major terms of the New Facilities, when the relevant definitive loan agreement is signed, are not expected to have material change from those disclosed above.

7. Financial effects of the Acquisition

Upon Completion, the Target Group will be wholly-owned by Hui Xian REIT and it will be consolidated into the financial statements of Hui Xian REIT. The attention of Independent Unitholders is drawn to the fact that, the pro forma DPU of the Enlarged Group for the year ended 31 December 2013 would be accretive.

Independent Unitholders should note that the following discussion of the financial effects of the Acquisition and the Independent Unitholders is based on the unaudited pro forma financial information of the Enlarged Group in Appendix II to the Circular, which may or may not be accurate or necessarily reflect the true picture of the financial position or operating results of the Enlarged Group following Completion. Unitholders should refer to the same for key assumptions and bases used.

7.1 Distributable income

The pro forma financial effects of the Acquisition on the distributable income for the year ended 31 December 2013, on the assumption that Hui Xian REIT had completed the Acquisition on 1 January 2013, are as follows:

	For the year ended 31 December 2013	
	Actual (audited)	Pro forma (unaudited)
	Hui Xian REIT Group	Enlarged Group taking into account the Deed of Income Guarantee
Distributable income to the Unitholders (RMB million)	1,262	1,324
Units in issue (‘000)	5,164,525 Units	5,177,538 Units
DPU	RMB0.2455	RMB0.2557
Percentage increase		4.2%

Note: the distributable income per Unit of the Enlarged Group is calculated based on 5,164,525,496 Units in issue as at 31 December 2013 plus the number of Units to be issued for the settlement of the Manager’s Acquisition Fee and 80% of the REIT Manager’s base and variable fees.

The audited distributable income to the Unitholders of Hui Xian REIT for the year ended 31 December 2013 was approximately RMB1,262 million. The unaudited pro forma distributable income to Unitholders of the Enlarged Group for the year ended 31 December 2013 is approximately RMB1,324 million, representing an increase of approximately 4.9% over the actual results of Hui Xian REIT for the year ended 31 December 2013, after taking into account, among other things, (i) the reversal of finance costs and interest income as a result of the assumed settlement of bank loans and entrusted loans to related companies respectively pursuant to the Sale and Purchase Agreement; (ii) the amortisation of front-end fee and interest expenses on the New Facilities; and (iii) the payment made by the Vendors under the Deed of Income Guarantee. Accordingly, the pro forma DPU increased by approximately 4.2% to RMB0.2557, as compared to the actual DPU of RMB0.2455 for the year ended 31 December 2013.

Independent Unitholders should note that the distributable income on a pro forma basis for the year ended 31 December 2013 is negatively affected by certain one-off items comprising the Manager's Acquisition Fee and the fee paid to the Trustee due to the Acquisition, which are not recurring in subsequent financial years.

For further details regarding the calculation of pro forma distribution income, please refer to Appendix II to the Circular.

7.2 Net assets

The pro forma financial effects of the Acquisition on the net asset value ("**NAV**") per Unit as at 30 June 2014, assuming that Hui Xian REIT had completed the Acquisition on 30 June 2014, are as follows:

	As at 30 June 2014	
	Actual (unaudited)	**Pro forma (unaudited)**
	Hui Xian REIT Group	**Enlarged Group**
NAV *(RMB million)*	28,426	28,426
Units in issue ('000)	5,217,014 Units	5,217,014 Units
Manager Acquisition Fee Units to be issued ('000)	—	11,672 Units
Total number of Units in issue ('000)	5,217,014 Units	5,228,686 Units
NAV per Unit attributable to the Unitholders (RMB)	**5.4487**	**5.4366**

The unaudited net assets attributable to the Unitholders were approximately RMB28,426 million as at 30 June 2014. The pro forma NAV per Unit attributable to the Unitholders is RMB5.4366, representing a slight decrease of approximately 0.22% as compared with the actual NAV per Unit attributable to the Unitholders of RMB5.4487 as at 30 June 2014, due to the issue of new Units for payment of the Manager's Acquisition Fee. As the Units are trading at a discount to the NAV per Unit, it follows that any issue of new Units at market price will be dilutive to the NAV per Unit.

From an accounting perspective, the Acquisition is not accounted for as an acquisition of business but as an acquisition of assets and therefore no goodwill will be recognised on the consolidated statement of financial position of the Enlarged Group upon Completion. Pursuant to the Sale and Purchase Agreement, the Entrusted Loans and the Existing Bank Loans would be repaid and settled in full upon Completion. Except for the Sale Loans, the remaining net balance would be a distribution by the Target Group to the Vendors. The Consideration for the Acquisition and the assignment of the Sale Loans would be satisfied as to 80% by bank borrowings and as to 20% by internal resources.

As at 30 June 2014, investment properties of the Target Business were approximately RMB4,103 million, as shown in Appendix I to the Circular. Upon Completion, as set out in the unaudited pro forma financial information of the Enlarged Group in Appendix II to the Circular, pro forma adjustments would be made to investment properties to account for (i) the difference between the Attributable Value and the adjusted net asset value of the Target Group as at 30 June 2014 taking into account (among other things) the settlement of the Entrusted Loans and the Existing Bank loans, the assignment of the Sale Loans and the settlement of the remaining related company balances as explained above; (ii) the reversal of deferred tax liabilities of the Target Group arising from accelerated depreciation allowances and changes in fair value of investment properties as a result of initial recognition of investment properties; (iii) the adjustments made to the Consideration relating to current assets and current and non-current liabilities of the Target Group pursuant to the Sale and Purchase Agreement; and (iv) the payment of stamp duty and professional fees relating to the Acquisition. Consequently, investment properties of the Enlarged Group amounted to approximately RMB34,601 million, representing an increase of approximately RMB3,930 million as compared to that of the Hui Xian REIT Group as at 30 June 2014.

Following Completion, the Chongqing Property will be classified as an investment property. Its value will be stated at fair value, which reflects the market condition at the end of each reporting period. Any changes in the fair value of the Chongqing Property in future will directly affect the NAV of Hui Xian REIT attributable to the Unitholders, and deferred tax liabilities would be recognised based on the difference between the fair value of investment properties and their respective costs of acquisition.

7.3 Gearing and cash flow

The REIT Manager intends to finance the Acquisition (i) as to approximately 80% by new bank borrowings; and (ii) as to the balance by existing cash. Therefore, it is expected that the gearing of Hui Xian REIT will increase upon Completion.

The pro forma financial effects of the Acquisition on the gearing of Hui Xian REIT as at 30 June 2014, assuming that Hui Xian REIT had completed the Acquisition on 30 June 2014, are as follows:

	As at 30 June 2014	
(RMB million)	**Actual (unaudited)**	**Pro forma (unaudited)**
	Hui Xian REIT Group	**Enlarged Group**
Total debts (A)	3,883	6,955
Total assets (B)	42,054	45,242
Gearing ratio (A / B)	9.2%	15.4%

Based on the above, upon Completion, the gearing ratio will increase from approximately 9.2% to approximately 15.4%, mainly attributable to the drawdown of the New Facilities. The gearing ratio, although increased, is still well below the maximum 45% gearing ratio permitted under the REIT Code and the gearing ratios of most of the Listed REITs.

As at 30 June 2014, Hui Xian REIT had bank balances and cash of approximately RMB4,596 million and current liabilities of approximately RMB2,542 million, in which approximately RMB1,108 million was bank loans. As advised by the REIT Manager, the existing bank loans were for the purpose of financing the general corporate funding needs of the Hui Xian REIT Group. According to the unaudited pro forma financial information of the Enlarged Group in Appendix II to the Circular, the bank balances and cash would decrease to approximately RMB3,849 million upon Completion.

Given that (i) adequate funding from the New Facilities will be available for the payment of a majority part of the Consideration; (ii) the existing cash resources of the Hui Xian REIT Group; and (iii) the level of gearing is acceptable, we are of the view that Hui Xian REIT possesses sufficient financial resources for the Acquisition.

In summary, the financial effects of the Acquisition on the Enlarged Group are generally positive as the DPU, on a pro forma basis, would increase, although there is a minimal decrease in NAV per Unit. The gearing ratio, although increased, is still below the maximum 45.0% gearing ratio permitted under the REIT Code, which we consider acceptable.

8. New Continuing Connected Party Transactions

8.1 Background

If Completion occurs and given that various transactions and arrangements in relation to the Chongqing Property entered into by Chongqing Company will be conducted with, among others, the Cheung Kong Connected Persons Group and the REIT Manager Group, an additional set of continuing connected party transactions will arise, the nature of which is comparable to the existing continuing connected party transactions, in respect of which the 2014 Extended Cheung Kong Waiver and the 2014 Extended Manager Waiver were granted and approved by the Unitholders at the extraordinary general meeting of Hui Xian REIT on 5 May 2014.

As the Acquisition will increase the scale of the existing continuing connected party transactions with, among others, the Cheung Kong Connected Persons Group and the REIT Manager Group, an Ordinary Resolution will be proposed at the EGM to approve, among other things, (i) the Cheung Kong Annual Cap Revision; (ii) the Manager Annual Cap Revision; and (iii) the Manager Leasing Annual Cap Revision, so as to revise the existing monetary limits to accommodate the additional continuing connected party transactions (the "**New Continuing Connected Party Transactions**") with the Cheung Kong Connected Persons Group and the REIT Manager Group in respect of the Chongqing Property for the three years ending 31 December 2017, i.e. the transactions contemplated under the New Chongqing Property Management Agreement, the Chongqing Property Manager Agreement and the leasing arrangement in respect of the Chongqing Property.

8.2 Principal terms of the New Continuing Connected Party Transactions

8.2.1 New Chongqing Property Management Agreement

With the termination of the Existing Chongqing Property Management Agreement, the Chongqing Company will enter into the New Chongqing Property Management Agreement with the New Chongqing Property Management Company, a member of the Cheung Kong Connected Persons Group, pursuant to which the New Chongqing Property Management Company will provide cleaning, security, patrolling, maintenance and other building management services in respect of the Chongqing Property with effect from Completion. The transactions contemplated under the New Chongqing Property Management Agreement will fall within the category of "property management and club facilities transactions" under the 2014 Extended Cheung Kong Waiver.

It is proposed that the New Chongqing Property Management Company will be entitled to receive from the Chongqing Company a service fee of RMB27,500 per month. In addition, the New Chongqing Property Management Company will be fully reimbursed by the Chongqing Company for direct costs and expenses (including tax) incurred solely and exclusively for the purpose of performance of its obligations under the New Chongqing Property Management Agreement.

As advised by the REIT Manager, no agreement has been entered into by the Hui Xian REIT Group with independent third parties in respect of property management services up to the Latest Practicable Date. As a result, we have reviewed (i) the existing property management agreement (the "**Beijing Property Management Agreement**") entered into by BOP with the Cheung Kong Connected Persons Group in respect of Beijing Oriental Plaza; and (ii) a quotation (the "**PM Quotation**") obtained from an independent third party in respect of property management services for the Chongqing Property. We noted that the proposed terms of the New Chongqing Property Management Agreement, including the property management fee to be charged, are in general similar and comparable to those of the Beijing Property Management Agreement and the PM Quotation.

8.2.2 Chongqing Property Manager Agreement

The Chongqing Company will enter into the Chongqing Property Manager Agreement with the Chongqing Property Manager, a member of the REIT Manager Group, pursuant to which the Chongqing Property Manager will be appointed as the property manager in respect of the Chongqing Property and will provide business advisory and management services, marketing and lease management services and property management co-ordination services in respect of the Chongqing Property with effect from Completion. The transactions contemplated under the Chongqing Property Manager Agreement will fall within the category of "property management and club facilities transactions" under the 2014 Extended Manager Waiver.

It is proposed that the Chongqing Property Manager will be fully reimbursed by the Chongqing Company for (i) the employment costs and remuneration of the personnel provided or procured by the Chongqing Property Manager engaged solely and exclusively for the provision of its services relating to the Chongqing Property; and (ii) management expenses incurred by the Chongqing Property Manager on the Chongqing Property, including but not limited to the costs and expenses incurred under contracts entered into with third party service providers by the Chongqing Property Manager (as agent for the Chongqing Company) at the request of the Chongqing Company for the provision of cleaning, maintenance, security, car park management and other services for the Chongqing Property.

In assessing the fairness and reasonableness of the service fee under the Chongqing Property Manager Agreement, we have reviewed the terms of the existing operations management agreement (the "**Beijing Property Manager Agreement**") entered into by BOP and Beijing Hui Xian Enterprise Services Limited (the "**Beijing Property Manager**") in respect of the Beijing Oriental Plaza, in which employment costs and remuneration of the employees of the Beijing Property Manager will be reimbursed. The manager fee charged under the Chongqing Property Manager Agreement, which is on a cost basis, is comparable to that under the Beijing Property Manager Agreement.

8.2.3 Leasing arrangement in respect of the Chongqing Property

It is expected that the Chongqing Property Manager will lease an office in the Office Building in order to facilitate the performance of its duties under the Chongqing Property Manager Agreement after Completion. Such leasing arrangement will fall within the category of "leasing and licensing transactions" under the 2014 Extended Manager Waiver.

We have reviewed the tenancy agreement to be entered into by the Chongqing Property Manager, and compared its terms against those of the existing tenancy agreements entered into by independent third parties in respect of the Office Building. We noted that the terms offered to the Chongqing Property Manager are in general similar and comparable to those for independent third parties.

8.3 The revised annual caps

8.3.1 New Chongqing Property Management Agreement

Set out below are the revised annual caps for the property management and club facilities transactions between the Hui Xian REIT Group and the Cheung Kong Connected Persons Group for each of the three years ending 31 December 2017, after taking into account the relevant annual caps under the 2014 Extended Cheung Kong Waiver and the transaction amounts contemplated under the New Chongqing Property Management Agreement:

	For the year ending 31 December		
	2015	**2016**	**2017**
	RMB'000	**RMB'000**	**RMB'000**
Property management and club facilities transactions			
Under the 2014 Extended Cheung Kong Waiver (*Note 1*)	32,500	35,000	37,500
Attributable to the New Chongqing Property Management Agreement (*Note 2*)	34,007	37,407	41,148
Revised annual caps	66,507	72,407	78,648

Note 1: Approved by the Independent Unitholders at the extraordinary general meeting of Hui Xian REIT held on 5 May 2014.

Note 2: A buffer of 20% has been incorporated in the transaction amounts attributable to the New Chongqing Property Management Agreement.

As shown above, the revised annual caps are arrived at after taking into account the estimated transaction amounts attributable to the New Chongqing Property Management Agreement for the three years ending 31 December 2017, which are in turn determined by reference to (i) the projected transaction amount for the property management services provided to the Chongqing Property for the year ending 31 December 2015; (ii) an annual growth rate of 10% in the following two financial years; and (iii) a buffer of 20% for contingencies such as changes in market conditions. As advised by the REIT Manager, while certain security, repair and maintenance and cleaning services are outsourced to independent third parties in respect of Beijing Oriental Plaza, those services will be performed by the New Chongqing Property Management Company in respect of the Chongqing Property.

As discussed with the REIT Manager, the projected transaction amount for the property management services provided to the Chongqing Property for the year ending 31 December 2015 is based on (i) the service fee of RMB27,500 per month as provided under the New Chongqing Property Management Agreement; and (ii) the projected staff costs to be reimbursed by the Chongqing Company in 2014 by reference to the actual staff costs incurred during the year.

We also noted that (i) the historical transaction amount of the property management and club facilities with the Cheung Kong Connected Persons Group for the year ended 31 December 2013 increased by approximately 9.8% as compared to the previous year; and (ii) the annualised transaction amount of the same for the year ending 31 December 2014 based on the actual transaction amount for the nine months ended 30 September 2014 increased by approximately 36.0% as compared to 2013. Moreover, according to 重慶統計信息網 (Statistical Information of Chongqing), the inflation rates of the Chongqing region during the period from 2010 to 2013 ranged from 2.6% to 5.3% while in the first half of 2014, the inflation was 1.7% as compared to the corresponding period in 2013. On these bases, we consider it reasonable to incorporate an annual growth factor of 10% for the transaction amounts contemplated under the New Chongqing Property Management Agreement for the period from 2015 to 2017.

8.3.2 Chongqing Property Manager Agreement

Set out below are the revised annual caps for the property management and club facilities transactions between the Hui Xian REIT Group and the REIT Manager Group for each of the three years ending 31 December 2017, after taking into account the relevant annual caps under the 2014 Extended Manager Waiver and the transaction amounts contemplated under the Chongqing Property Manager Agreement:

	For the year ending 31 December		
	2015	**2016**	**2017**
	RMB'000	**RMB'000**	**RMB'000**
Property management and club facilities transactions			
Under 2014 Extended Manager Waiver (*Note 1*)	51,000	56,000	61,000
Attributable to the Chongqing Property Manager Agreement (*Note 2*)	25,813	28,394	31,234
Revised annual caps	76,813	84,394	92,234

Note 1: Approved by the Independent Unitholders at the extraordinary general meeting of Hui Xian REIT held on 5 May 2014.
Note 2: A buffer of 30% has been incorporated in the transaction amounts attributable to the Chongqing Property Manager Agreement.

As shown above, the revised annual caps for the property management and club facilities transactions with the REIT Manager Group are arrived at after taking into account the estimated transaction amounts attributable to the Chongqing Property Manager Agreement for the three years ending 31 December 2017, which are in turn determined based on (i) the projected transaction amount for the year ending 31 December 2015; (ii) an annual growth rate of 10% in the following two financial years; and (iii) a buffer of 30% for contingencies such as changes in market conditions.

The REIT Manager has advised us that the projected transaction amount for the year ending 31 December 2015 is based on the projected staff costs to be incurred in relation to the provision of such property manager services in 2014 by reference to the actual staff costs incurred during the year.

Taking into account that (i) the historical transaction amount of the property management and club facilities with the REIT Manager Group increased at a compound annual growth rate of approximately 6.1% from approximately RMB32.7 million for the year ended 31 December 2012 to approximately RMB36.8 million for the year ending 31 December 2014, being the annualised transaction amount based on the actual transaction amount for the nine months ended 30 September 2014; and (ii) the inflation rates of the Chongqing region over the past years as mentioned above, we consider it reasonable to incorporate an annual growth rate of 10% for the transaction amounts contemplated under the Chongqing Property Manager Agreement for the period from 2015 to 2017.

8.3.3 Leasing arrangement in respect of the Chongqing Property

Set out below are the revised annual caps for the leasing and licencing transactions between the Hui Xian REIT Group and the REIT Manager Group for each of the three years ending 31 December 2017, after taking into account the relevant annual caps under the 2014 Extended Manager Waiver and the leasing arrangement with the Chongqing Property Manager:

	For the year ending 31 December		
	2015	**2016**	**2017**
	RMB'000	**RMB'000**	**RMB'000**
Leasing and licencing transactions			
Under 2014 Extended Manager Waiver (*Note 1*)	500	550	600
Leasing arrangement with the Chongqing Property Manager in respect of the Chongqing Property (*Note 2*)	167	184	202
Revised annual caps	667	734	802

Note 1: Approved by the Independent Unitholders at the extraordinary general meeting of Hui Xian REIT held on 5 May 2014.

Note 2: A buffer of 30% has been incorporated in the transaction amounts attributable to the leasing arrangement with the Chongqing Property Manager.

As shown above, the revised annual caps for the leasing and licencing transactions with the REIT Manager Group are arrived at after taking into account the estimated transaction amounts attributable to the leasing arrangement with the Chongqing Property Manager for the three years ending 31 December 2017, which are in turn determined based on (i) the rental and service charge in 2015 as provided under the tenancy agreement with the Chongqing Property Manager; (ii) an annual growth rate of 10% in the following two financial years; and (iii) a buffer of 30% for contingencies such as changes in market conditions.

We consider it reasonable to incorporate an annual growth rate of 10% for the transaction amounts for the leasing arrangement with the Chongqing Property Manager after taking into account (i) that the historical transaction amount of the leasing and licencing arrangements with the REIT Manager Group increased at a compound annual growth rate of approximately 14.1% from approximately RMB261,000 for the year ended 31 December 2012 to approximately RMB340,000 for the year ending 31 December 2014, being the annualised transaction amount based on the actual transaction amount for the nine months ended 30 September 2014; and (ii) the possible growth in rentals in the coming years resulting from the strong economic fundamentals in Chongqing, the improving transportation network in Jiefangbei CBD, the competitive edge of the Office Building given its single title ownership and the future development of Wuyi Road as a financial district.

In determining the revised annual caps above, the REIT Manager has applied a buffer of 20% for the transaction amounts contemplated under the New Chongqing Property Management Agreement and a buffer of 30% for the transaction amounts contemplated under each of the Chongqing Property Manager Agreement and the leasing arrangement in respect of the Chongqing Property. We consider that the relevant buffer can provide an appropriate contingency to accommodate possible fluctuations resulting from any changes in market conditions or increases in rental.

We have reviewed the comparable caps of the Listed REITs (if available) and noted that a buffer range of 5% to 33% has been normally adopted for the annual caps. Moreover, taking into account the usage of the approved annual caps for the property management and club facilities transactions and the leasing and licensing transactions with the REIT Manager Group for the year ending 31 December 2014, we consider it reasonable to include a buffer of 30% in determining the transaction amounts contemplated under the Chongqing Property Manager Agreement and the leasing arrangement in respect of the Chongqing Property.

After discussion with the REIT Manager, we consider a buffer of 20% justifiable for the transaction amounts contemplated under the New Chongqing Property Management Agreement, given that (i) it provides an appropriate contingency to accommodate any changes in market conditions; (ii) it is within the range of buffers normally adopted by the Listed REITs for annual caps; and (iii) it provides flexibility for Hui Xian REIT to accommodate future business growth, despite the low historical usage of the approved annual caps for the property management and club facilities transactions with the Cheung Kong Connected Persons Group for the three years ending 31 December 2014. We also noted that the approved annual caps for the three years ending 31 December 2017 under the 2014 Extended Cheung Kong Waiver, which are much lower than those for the three years ending 31 December 2014, have been tailored to take account of such historical usage.

For details of the historical usage of the relevant approved annual caps, please refer to the section headed "(L) Continuing Connected Party Transactions" in the letter from the Board to the Unitholders contained in the Circular.

We have discussed with the management of the REIT Manager various factors in arriving at the revised annual caps as explained above. Provided that the pricings for the New Continuing Connected Party Transactions are fair and reasonable and the conduct of the relevant transactions is subject to annual review by independent non-executive Directors and auditors of Hui Xian REIT, it is reasonable for Hui Xian REIT to set annual caps that are tailored to future business growth.

9. Risk factors

Certain risk factors in relation to the Acquisition are set out in the section headed "(K) Risk factors" of the letter from the Board to the Unitholders in the Circular, to which the attention of the Unitholders is drawn.

DISCUSSION AND ANALYSIS

(i) The Acquisition is in line with Hui Xian REIT's policies

The Acquisition will increase the size of Hui Xian REIT's portfolio by about 10-11% and will provide geographic diversity. It should also help prolong the lifespan of Hui Xian REIT beyond the term of investments in Beijing Oriental Plaza and Sofitel Shenyang Lido which are held through joint ventures expiring in 2049 and 2061 respectively.

(ii) Strategic location of Chongqing and the Chongqing Property

The Acquisition allows Hui Xian REIT to expand its geographical reach to Chongqing which is a major and growing commercial hub in inland China with rapid economic growth in the past decade. The Chongqing Property is located at the Jiefangbei Pedestrian Street in Yuzhong District, Chongqing within Jiefangbei CBD, the city's most established CBD.

(iii) The Chongqing Property is a large prime property with some of the best managed commercial and retail space in Chongqing and well-placed to meet competition

The Chongqing Property is a mature property with occupancy rates over 90%. The Shopping Mall is large in terms of GFA compared to other existing and upcoming retail projects in Jiefangbei CBD and has a comprehensive portfolio of brands and amenities. The Office Building is one of the only two Grade-A office buildings in Jiefangbei CBD with single title. This allows for efficient and high-quality building management and maintenance as evidenced by the well-diversified tenant profile including a number of multinational corporations and consulates. On this basis, we consider the Chongqing Property is well-placed to meet future competition.

(iv) Independent valuation methodology

The Chongqing Property, which we have visited, has been valued by the Independent Property Valuer at RMB4,104 million using the income capitalisation approach, counter-checked by the direct comparison approach. We have discussed the valuation methodologies and calculations with the Independent Property Valuer and consider them appropriate.

(v) Consideration – discount to valuation of approximately 4.7%

The Attributable Value is RMB3,910 million, representing a discount of approximately 4.7% to the Appraised Value. The gross yield of the Chongqing Property for the year ended 31 December 2013 based on the

Attributable Value was approximately 7.21%, comparable to those of the Existing Properties. The remaining amount of the Consideration will be eventually based on the adjusted NAV at Completion. We consider the Attributable Value and the Consideration to be fair and reasonable as far as the Independent Unitholders are concerned.

(vi) Acquisition is DPU accretive by approximately 4.2%

The Accountant's Report is set out in Appendix I. For the first six months of 2014, the revenue and rental related income were approximately RMB141 million or approximately RMB282 million when annualised. The Vendors through the Deed of Income Guarantee will guarantee an annual income level of at least RMB299.28 million for each of the five years following Completion. On the basis set out in the unaudited pro forma financial information of the Enlarged Group in Appendix II to the Circular, the Acquisition would result in an increase in DPU of the Enlarged Group by approximately 4.2% from RMB0.2455 to RMB0.2557 on a 2013 financial year pro forma basis.

(vii) Method of financing and effect on NAV per Unit

The Consideration will be entirely in cash, financed principally by way of bank borrowings, which will bring the overall gearing ratio of Hui Xian REIT to approximately 15.4%. This is well below the 45% limit permitted under the REIT Code and below the gearing ratios of most of the other Listed REITs.

We consider the approximate 80/20 split between bank borrowings and internal resources appropriate, given the level of liquidity, the current relatively low gearing level of Hui Xian REIT and the low financing cost of the New Facilities. The financing of the Acquisition partly or entirely by way of issue of new Units would result in dilution to the attributable net asset value per Unit of existing Unitholders. There is a 0.22% decrease in NAV per Unit owing to the issue of new Units to pay the Manager's Acquisition Fee, which we do not consider a material factor.

(viii) Neutral effect on NAV

On the basis set out in the unaudited pro forma financial information of the Enlarged Group, the Acquisition has no effect on the NAV of Hui Xian REIT of approximately RMB28.4 billion. This is because the Consideration is based on the adjusted NAV of the Target Group and will be satisfied wholly in cash.

(ix) Continuing connected party transactions

The Acquisition will give rise to certain continuing connected party transactions. We have reviewed the terms of the New Chongqing Property Management Agreement, the Chongqing Property Manager Agreement and the tenancy agreement to be entered into by the Chongqing Property Manager, and discussed with the management of the REIT Manager the terms of these agreements and the bases for setting the revised annual caps. We are of the view that these continuing connected party transactions are on normal commercial terms and are a necessary and integral part of the Acquisition.

OPINION AND RECOMMENDATION

Having taken into account the principal reasons and factors, as summarised in the above section headed "Discussion and analysis", we consider that:

(i) the Acquisition, which consists of the terms of the Transaction Documents including the Consideration, is consistent with the investment objectives and strategy of Hui Xian REIT and is being entered into in the ordinary and usual course of business and is at arm's length basis and on normal commercial terms, which are fair and reasonable and in the interests of the Unitholders (including the Independent Unitholders) and Hui Xian REIT as a whole;

(ii) the issuance of Units to the REIT Manager for the Manager's Acquisition Fee as a result of the Acquisition is consistent with the investment objectives and strategy of Hui Xian REIT and is at arm's length basis and on normal commercial terms, which are fair and reasonable and in the interests of the Unitholders (including the Independent Unitholders) and Hui Xian REIT as a whole;

(iii) the New Continuing Connected Party Transactions arising from the Acquisition are consistent with the investment objectives and strategy of Hui Xian REIT and being entered into in the ordinary and usual course of business of Hui Xian REIT and are at arm's length basis and on normal commercial terms, which are fair and reasonable and in the interests of the Unitholders (including the Independent Unitholders) and Hui Xian REIT as a whole;

(iv) the revised annual caps for the New Continuing Connected Party Transactions are fair and reasonable and in the interests of the Unitholders (including the Independent Unitholders) and Hui Xian REIT as a whole.

Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Unitholders to vote in favour of the Ordinary Resolutions to approve the Transaction Matters Requiring Approval at the EGM.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
M. N. Sabine
Chairman

The following is the text of a report received from the reporting accountant of Hui Xian REIT, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

pwc 羅兵咸永道

10 November 2014

The Directors
Hui Xian Asset Management Limited
(as Manager of Hui Xian Real Estate Investment Trust)

Dear Sirs,

We report on the combined financial information of the property investment business in the PRC held by Chesgold Limited (the "Target Company") and its subsidiary (collectively the "Target Business"), which comprises the combined statements of financial position of the Target Business as at 31 December 2011, 2012 and 2013 and 30 June 2014 and the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Target Business for each of the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory information. This combined financial information has been prepared by the Hui Xian Asset Management Limited (the "Manager" of Hui Xian Real Estate Investment Trust ("Hui Xian REIT")) and is set out in Sections I to III below for inclusion in Appendix I to the circular of Hui Xian REIT dated 10 November 2014 (the "Circular") in connection with the proposed acquisition of the Target Business by the Hui Xian REIT.

The Target Company was incorporated in Hong Kong on 12 November 1992. As at the date of this report, the Target Company has direct interest in the subsidiary engaged in the property investment business in the PRC. Details are set out in Note 30 of Section II below.

The audited financial statements of the Target Company for years ended 31 December 2011, 2012 and 2013 were prepared in accordance with Hong Kong Financial Reporting Standards and were audited by PricewaterhouseCoopers.

The directors of the Manager are responsible for the preparation of the combined financial statements of the Target Business for the Relevant Periods that give a true and fair view in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements"). The directors of the Target Company are responsible for such internal control as the directors determine is necessary to enable the preparation of the Underlying Financial Statements that are free from material misstatement, whether due to fraud or error. We have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing (the "HKSAs") issued by the HKICPA pursuant to separate terms of engagement.

The combined financial information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon, and on the basis set out in Note 1(b) of Section II below.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Manager's Responsibility for the Combined Financial Information

The Manager of Hui Xian REIT is responsible for the preparation of the combined financial information that gives a true and fair view in accordance with the basis of presentation set out in Note 1(b) of Section II below and in accordance with HKFRSs and accounting policies adopted by Hui Xian REIT as set out in the audited annual consolidated financial statements of Hui Xian REIT for the year ended 31 December 2013.

Reporting Accountant's Responsibility

Our responsibility is to express an opinion on the combined financial information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

Opinion

In our opinion, the combined financial information gives, for the purpose of this report and presented on the basis set out in Note 1(b) of Section II below, a true and fair view of the combined state of affairs of the Target Business as at 31 December 2011, 2012 and 2013 and 30 June 2014, and of its combined results and cash flows for the Relevant Periods then ended.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information set out in Sections I to II below included in Appendix I to the Circular which comprises the combined statement of comprehensive income, the combined statement of changes in equity and the combined statements of cash flows of the Target Business for the six months ended 30 June 2013 and a summary of significant accounting policies and other explanatory information (the "Stub Period Comparative Financial Information").

The Manager of Hui Xian REIT is responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of presentation set out in Note 1(b) of Section II below and the accounting policies set out in Note *2* of Section II below and the accounting policies adopted by Hui Xian REIT as set out in the audited annual consolidated financial statements of Hui Xian REIT for the year ended 31 December 2013.

Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of Stub Period Comparative Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of this report and presented on the basis set out in Note 1(b) of Section II below, is not prepared, in all material respects, in accordance with the accounting policies set out in Note 2 of Section II below.

I FINANCIAL INFORMATION OF THE TARGET BUSINESS

The following is the combined financial information of the Target Business prepared by the Manager of Hui Xian REIT as at 31 December 2011, 2012 and 2013 and 30 June 2014 and for each of the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2013 and 2014 (the "Financial Information"):

(A) COMBINED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 December			Six months ended 30 June	
	Note	2011	2012	2013	2013	2014
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue	5	256,836	263,212	275,924	136,382	138,038
Rental related income	6	4,107	4,750	5,970	3,317	3,187
Other income	7	30,497	6,510	3,316	4,399	8,597
Interest income	7	71,776	109,988	116,117	62,393	44,951
Changes in fair value of investment properties		44,708	48,352	(1,360)	(225)	1,603,000
Staff costs	8	(22,350)	(28,025)	(29,476)	(13,115)	(13,974)
Depreciation		(1,236)	(1,194)	(817)	(428)	(414)
Other operating expenses	9	(66,109)	(68,486)	(76,002)	(34,645)	(38,573)
Finance costs	10	(76,535)	(94,202)	(118,556)	(60,983)	(53,600)
Profit before taxation		241,694	240,905	175,116	97,095	1,691,212
Taxation	11	(56,077)	(59,593)	(64,402)	(39,152)	(429,761)
Profit and total comprehensive income for the year/period		185,617	181,312	110,714	57,943	1,261,451

(B) COMBINED STATEMENTS OF FINANCIAL POSITION

	Note	As at 31 December			As at 30 June
		2011	2012	2013	2014
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets					
Property, plant and equipment	13	3,761	4,358	5,243	5,306
Investment properties	14	2,450,000	2,500,000	2,500,000	4,103,000
Loans to a related company	15	—	190,000	190,000	190,000
Amount due from a related company	18(a)	—	4,315	20,342	28,290
Total non-current assets		2,453,761	2,698,673	2,715,585	4,326,596
Current assets					
Trade receivables	16	10,428	944	2,693	2,281
Other receivables, deposits and prepayments		1,957	2,035	1,689	2,638
Loans to related companies	17	1,446,000	1,640,000	1,628,281	1,521,468
Amounts due from related companies	18(b)	115,247	217,507	264,191	291,908
Cash and bank balances	19	31,792	108,236	33,273	91,152
Total current assets		1,605,424	1,968,722	1,930,127	1,909,447
Total assets		4,059,185	4,667,395	4,645,712	6,236,043
Current liabilities					
Trade payables	20(a)	774	934	1,882	1,302
Other payables and accruals	20(b)	31,748	33,510	34,652	30,513
Tenancy deposits		16,829	20,348	25,192	26,405
Amounts due to related companies	21	6,433	8,324	8,505	5,025
Bank loans	22	748,876	140,000	140,000	140,000
Tax payable		9,638	7,374	4,441	7,639
Total current liabilities		814,298	210,490	214,672	210,884
Net current assets		791,126	1,758,232	1,715,455	1,698,563
Total assets less current liabilities		3,244,887	4,456,905	4,431,040	6,025,159
Non-current liabilities					
Tenancy deposits		41,710	44,852	45,724	43,487
Bank loans	22	590,000	1,600,000	1,460,000	1,380,000
Loans from shareholders	23	336,876	164,804	159,654	164,816
Deferred tax liabilities	24	450,545	470,827	478,526	888,269
Total non-current liabilities		1,419,131	2,280,483	2,143,904	2,476,572
Net assets		1,825,756	2,176,422	2,287,136	3,548,587
Capital	25	—	169,354	169,354	169,354
Reserves		1,825,756	2,007,068	2,117,782	3,379,233
Total equity		1,825,756	2,176,422	2,287,136	3,548,587

(C) COMBINED STATEMENTS OF CHANGES IN EQUITY

	Capital	Statutory reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2011	—	—	1,640,139	1,640,139
Profit for the year	—	—	185,617	185,617
At 31 December 2011 and 1 January 2012	—	—	1,825,756	1,825,756
Profit for the year	—	—	181,312	181,312
Capital contribution by way of capitalisation of loans from shareholders	169,354	—	—	169,354
At 31 December 2012 and 1 January 2013	169,354	—	2,007,068	2,176,422
Profit for the year	—	—	110,714	110,714
Transfer to statutory reserve	—	46,710	(46,710)	—
At 31 December 2013 and 1 January 2014	169,354	46,710	2,071,072	2,287,136
Profit for the period	—	—	1,261,451	1,261,451
At 30 June 2014	169,354	46,710	3,332,523	3,548,587
(Unaudited)				
At 1 January 2013	169,354	—	2,007,068	2,176,422
Profit for the period	—	—	57,943	57,943
Transfer to statutory reserve	—	35,256	(35,256)	—
At 30 June 2013	169,354	35,256	2,029,755	2,234,365

(D) COMBINED STATEMENTS OF CASH FLOWS

		Year ended 31 December			Six months ended 30 June	
	Note	2011	2012	2013	2013	2014
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Operating activities						
Cash generated from operations	26(a)	194,908	189,738	186,520	90,402	81,993
Finance costs paid		(76,710)	(93,022)	(116,415)	(58,940)	(54,125)
Interest income received		137,855	7,628	51,490	8,011	7,869
Income tax paid		(36,722)	(41,575)	(59,636)	(36,232)	(16,820)
Net cash from operating activities		219,331	62,769	61,959	3,241	18,917
Investing activities						
(Increase)/decrease of loans to related companies		(36,000)	(384,000)	6,144	58,638	119,500
Additions of investment properties		(5,292)	(1,648)	(1,360)	(225)	—
Additions of property, plant and equipment		(334)	(1,812)	(1,757)	(514)	(544)
Proceeds from disposal of property, plant and equipment		15	11	51	49	6
Net cash (used in)/from investing activities		(41,611)	(387,449)	3,078	57,948	118,962
Financing activities						
Repayment of bank loans		(179,086)	(998,876)	(140,000)	(80,000)	(80,000)
Drawdown of bank loans		—	1,400,000	—	—	—
Net cash (used in)/from financing activities		(179,086)	401,124	(140,000)	(80,000)	(80,000)
(Decrease)/increase in cash and cash equivalents		(1,366)	76,444	(74,963)	(18,811)	57,879
Cash and cash equivalents at beginning of the year/period		33,158	31,792	108,236	108,236	33,273
Cash and cash equivalents at end of the year/period		31,792	108,236	33,273	89,425	91,152
Analysis of cash and cash equivalents						
Cash and bank balances		31,792	108,236	33,273	89,425	91,152

II NOTES TO THE FINANCIAL INFORMATION OF TARGET BUSINESS

1 General information and basis of presentation

(a) General information

Chesgold Limited was incorporated in Hong Kong on 12 November 1992. The Company is a limited liability company incorporated in Hong Kong and its registered office is located at 22/F., Hutchison House, 10 Harcourt Road, Hong Kong. The Target Company is equally and directly owned by Joinpower Holdings Limited and Cheerjoy Limited which are in turn wholly owned by Hutchison Whampoa Properties Limited and Cheung Kong (Holdings) Limited respectively.

The financial information contained in this report does not constitute the Target Company's statutory annual consolidated financial statements for any of the years ended 31 December 2011, 2012 or 2013. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

As the Target Company is a private company, it is not required to deliver its financial statements to the Registrar of Companies, and has not done so.

The Target Company's auditor has reported on the financial statements for the three years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis; and did not contain a statement under either sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance Cap. 622.

The Financial Information is presented in Renminbi ("RMB").

(b) Basis of presentation

For the purpose of this report, the Financial Information has been prepared to present the combined statements of financial position, the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Target Business for the Relevant Periods or since the respective dates of incorporation, whichever is the shorter period. The Target Business has been equally owned by Joinpower Holdings Limited and Cheerjoy Limited for the Relevant Periods. For the purpose of this report, the Financial Information has been prepared on a basis in accordance with the principles of the Auditing Guideline 3.340 "Prospectus and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Apart from the Target Business, the Target Company also invests in a subsidiary which operates the hospitality business (the "Other Business"). The results of the Other Business were excluded throughout the Relevant Periods as the Other Business was dissimilar to the Target Business, it was separately managed from the Target Business and there were separate historical accounting books and records for the Other Business. The Other Business was disposed of by the Target Company on 7 November 2014.

2 Summary of significant accounting policies

The significant accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied to the Relevant Periods, unless otherwise stated.

(a) Basis of preparation

The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA. The Financial Information has been prepared under the historical cost convention, as modified by the revaluation of investment properties which are carried at fair value.

The preparation of Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information, are disclosed in Note 3.

New standards, amendments and interpretations to the existing standards that are effective during the Relevant Periods have been adopted by the Target Business consistently during the Relevant Periods unless prohibited by the relevant standards to apply retrospectively.

The following new standards and amendments to existing standards have been issued but are not yet effective and have not been early adopted by the Target Business:

HKFRS 9	Financial Instruments[4]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[3]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[2]
Amendments to HKAS 19	Employee Benefits: Defined Benefit Plans - Employees Contributions[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[2]
Annual Improvement Project 2012	Annual Improvement to HKFRS 2010-2012 Cycle[1]
Annual Improvement Project 2013	Annual Improvement to HKFRS 2011-2013 Cycle[1]

1 Effective for accounting periods beginning on or after 1 July 2014

2 Effective for accounting periods beginning on or after 1 January 2016

3 Effective for accounting periods beginning on or after 1 January 2017

4 Effective for accounting periods beginning on or after 1 January 2018

The Target Business will adopt the above new standards and amendments to existing standards as and when they become effective. The Target Business has already commenced the assessment of the impact to the Target Business and is not yet in a position to state whether these would have a significant impact on its results of operations and financial position.

(b) Basis of combination

The Financial Information incorporates the financial information of Target Business.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the combined statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, if appropriate.

Where necessary, adjustments are made to the financial information of subsidiaries to bring their accounting policies in line with those used by other members of the Target Business.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

(c) Subsidiaries

A subsidiary is an entity (including a structured entity) over which the Target Business has control. The Target Business controls an entity when the Target Business is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Target Business. They are deconsolidated from the date that control ceases.

(d) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the target business, liabilities incurred by the target business to the former owners of the acquiree and the equity interests issued by the target business in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets.

The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another standard.

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts.

(i) Rental income

Rental income is recognised on a straight line basis over the period of the lease.

Contingent rentals, which include gross turnover rental, are recognised as revenue when it becomes receivable.

(ii) Service income

Service income is recognised when services are provided.

(iii) Interest income

Interest income from a financial asset is recognised when it is probable that economic benefits will flow to the Target Business and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at effective interest rate, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(f) Investment properties

Investment properties are properties held to earn rentals and capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the item is derecognised.

(g) Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation and impairment losses. Buildings are depreciated on the basis of an expected life of fifty years, or the remainder thereof, or over the remaining period of the lease, whichever is less. The period of the lease includes the period for which a right of renewal is attached.

Depreciation is provided at rates calculated to write off their costs over their estimated useful lives on a straight line basis at the following annual rates:

Motor vehicles	12.5%
Furniture, fixtures and equipment	20%

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant assets, and is recognised in the profit and loss account.

(h) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

(i) Impairment of tangible assets

At the end of the reporting period, the carrying amounts of the tangible assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is estimated. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash- generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

(j) Financial instruments

Financial assets and financial liabilities are recognised in the combined statement of financial position when a group entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

Financial assets categorised as loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables which include trade and other receivables, deposits, loans to related companies and amounts due from related companies and bank balances and cash are carried at amortised cost using the effective interest method, less any identified impairment losses.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset to that asset's net carrying amount on initial recognition. Interest income is recognised on an effective interest basis.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for receivables could include the past experience of collecting payments of the Target Business, an increase in the number of delayed payments in the portfolio, as well as observable changes in economic conditions that correlate with default on receivables.

The carrying amount of the trade receivables is reduced by the impairment loss through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When such receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities

Financial liabilities which include trade and other payables and accruals, tenancy deposits, amounts due to related companies, loans from shareholders and bank loans are subsequently measured at amortised cost, using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

(k) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from the 'profit before taxation' as reported in the combined statement of comprehensive income because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The liability for current tax of the Target Business is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the combined statement of financial position and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where it is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Target Business expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are charged or credited to profit or loss. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Target Business intends to settle its current tax assets and liabilities on a net basis.

(l) Employee benefits

(i) Salaries, bonus, paid annual leave and the cost of other benefits to the Target Business are accrued in the year in which the associated services are rendered by employees of the Target Business.

(ii) The Target Business contributes to a defined contribution retirement scheme covering its full-time employees in the People's Republic of China ("PRC"). The scheme is administrated by the relevant government authorities in the PRC.

The contributions of the Target Business to the defined contribution retirement scheme are charged to the profit and loss account in the year incurred. Contributions to the schemes by the Business and employees are calculated as a percentage of employees' salaries.

(m) Foreign currency translation

(a) Functional and presentation currency

Items included in the financial information of each of the entities of Target Business are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Target Company is Renminbi. The functional currency of its subsidiary established in the PRC is Renminbi. The financial information is presented in Renminbi.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

(n) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3 Critical judgement and key sources of estimation uncertainty

In the application of the accounting policies of Target Business, which are described in Note 2, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources are required to be made. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Investment Properties

Investment properties are stated at fair value based on the valuation performed by an independent professional valuer. The valuation of properties was principally arrived by using the income capitalisation approach which is a method of valuation whereby valuation is the sum of capitalised value of the term income and the appropriately deferred reversionary income for the remaining term of the land use rights of the property. The capitalised value of the term income is derived by capitalising the rental income derived from existing tenancies for their respective unexpired terms of contractual tenancies, while the capitalised value of reversionary income is derived by capitalising the current market rents for the remaining term of the land use rights of the property. Capitalisation rates are estimated with reference to the yield generally accepted by the market for comparable properties. The key drivers underlying estimation of fair value of investment properties are market rents and capitalisation rates.

In relying on the valuation reports of the independent professional valuer, the Manager has exercised its judgement and is satisfied with the key drivers underlying estimation of fair value of investment properties by comparing to actual market yield data, actual transactions of the similar properties in the same location and condition and those reported by the market. Any changes in the market conditions will affect the fair value of the investment properties of the Target Business.

For the purpose of measuring deferred tax arising from investment properties that are measured using the fair value, the investment properties of the Target Business are located in the PRC and rented out under operating leases and it is concluded that the investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties through use rather than through sale. Any change to the business model will lead to a change in the measurement basis of the deferred tax liabilities of the investment properties.

4 Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the directors of the Target Company who make strategic decisions.

The Target Business owns the properties during the Relevant Periods located in Chongqing, the PRC. The Target Business operates in one single business segment and one single geographical segment. The measurement of segment result excludes the effects of changes in fair value of investment properties, interest income and finance cost.

Reconciliation of segment result to profit before taxation:

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Segment result	201,745	176,767	178,915	95,910	96,861
Interest income	71,776	109,988	116,117	62,393	44,951
Finance costs	(76,535)	(94,202)	(118,556)	(60,983)	(53,600)
Changes in fair value of investment properties	44,708	48,352	(1,360)	(225)	1,603,000
Profit before taxation	241,694	240,905	175,116	97,095	1,691,212

Revenue of RMB48,881,000, RMB46,063,000, RMB50,904,000, RMB25,452,000 and RMB25,452,000 is derived from a single tenant for the years ended 31 December 2011, 2012 and 2013 and for the six months ended 30 June 2013 and 2014, respectively.

5 Revenue

Turnover comprises gross rental income from investment properties.

The gross rental from investment properties includes contingent rents of RMB26,274,000, RMB7,032,000, RMB2,595,000, RMB1,301,000 and RMB1,109,000 for the years ended 31 December 2011, 2012 and 2013 and for the six months ended 30 June 2013 and 2014, respectively.

The direct operating expenses for investment properties amounted to RMB57,778,000, RMB59,299,000, RMB64,660,000, RMB28,469,000 and RMB31,212,000 for the years ended 31 December 2011, 2012 and 2013 and for the six months ended 30 June 2013 and 2014, respectively.

6 Rental related income

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Service income	600	637	1,109	664	256
Forfeited tenant deposits	637	1,114	1,753	1,127	1,370
Others	2,870	2,999	3,108	1,526	1,561
	4,107	4,750	5,970	3,317	3,187

7 Other income and interest income

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Other income					
Foreign exchange gain/(loss)	30,219	2,809	(170)	2,934	7,493
Consulting income	—	3,669	3,425	1,440	456
Government subsidies	—	—	—	—	648
Miscellaneous	278	32	61	25	—
	30,497	6,510	3,316	4,399	8,597
Interest income					
Loan to related companies	66,801	107,677	115,319	62,175	43,930
Bank deposits	4,975	2,311	798	218	1,021
	71,776	109,988	116,117	62,393	44,951

8 Staff costs

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Wages and salaries, other employee benefits	17,596	23,885	23,594	10,560	10,773
Defined contribution schemes	4,754	4,140	5,882	2,555	3,201
	22,350	28,025	29,476	13,115	13,974

The directors of the Target Company are considered as key management. No fees or emoluments were paid to the directors in respect of their services to the Target Company during the Relevant Periods, nor are any payable. The directors' remuneration is borne by the Target Company's holding companies and there is no recharge by the holding companies.

9 Other operating expenses

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Advertising and promotion	4,185	4,910	5,282	3,097	2,955
Business tax	18,098	20,703	21,944	11,167	10,196
Urban real estate tax	8,209	8,835	9,182	4,491	11,457
Lease agency fee	6,552	4,799	5,205	2,827	2,472
Repair and maintenance	6,806	6,564	7,003	2,438	2,834
Utilities	6,713	6,679	6,933	2,512	2,375
Property management consultancy fee to a related company	2,707	2,665	2,990	1,254	1,306
Management fee to a related company	4,087	4,023	6,352	2,753	1,817
Loss on disposal of property, plant and equipment	10	10	4	3	61
Auditors' remuneration	230	284	397	189	182
Others	8,512	9,014	10,710	3,914	2,918
	66,109	68,486	76,002	34,645	38,573

10 Finance costs

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Interest expenses on:					
Bank loans	76,535	78,709	118,556	60,983	53,600
Amount due to related companies	—	15,493	—	—	—
	76,535	94,202	118,556	60,983	53,600

11 Taxation

Taxation comprises

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Current taxation	36,903	39,311	56,703	35,217	20,018
Deferred taxation (Note 24)	19,174	20,282	7,699	3,935	409,743
	56,077	59,593	64,402	39,152	429,761

For the year ended 31 December 2011, Hong Kong profits tax has not been provided as there was no assessable profit arising from operation in Hong Kong.

For the years ended 31 December 2012 and 2013 and the six months ended 30 June 2013 and 2014, Hong Kong profits tax has not been provided as the estimated assessable profit of the Target Business arising from operation in Hong Kong can be offset by the available tax losses.

The subsidiary established and operated in the PRC is subject to the PRC corporate income tax at the tax rate of 25%.

Withholding tax is levied on distribution of profits earned by a PRC entity to non-PRC tax residents for profits generated after 1 January 2008, at the applicable withholding tax rate of 5% as approved by the relevant tax authorities in the PRC pursuant to double taxation arrangement between Hong Kong and the PRC.

The tax charge for the Relevant Periods can be reconciled to the profit before taxation as follows:

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit before taxation	241,694	240,905	175,116	97,095	1,691,212
Tax at the applicable income tax rate of 25%	60,424	60,226	43,779	24,274	422,803
Income not subject to taxation	(2,878)	(453)	(63)	(477)	(1,780)
Expenses not deductible for taxation purposes	—	—	44	—	1,677
Tax losses not recognised	9	—	—	—	
Effect of different tax rate	(1,478)	(241)	(18)	(250)	(920)
Utilisation of unused tax losses	—	(16)	(16)	(9)	(6)
Withholding tax on dividend income	—	—	20,621	15,558	—
Deferred tax on undistributed earnings of PRC subsidiary	—	—	—	—	7,147
Other temporary differences	—	77	55	56	—
Under-provision in prior years	—	—	—	—	840
Taxation	56,077	59,593	64,402	39,152	429,761

12 Earnings per share

Earnings per share for the Relevant Periods are not presented as such information is not considered meaningful for the purpose of this report.

13 Property, plant and equipment

	Buildings on medium term lease	Motor vehicles	Furniture, fixtures and equipment	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2011				
Cost	387	2,193	12,042	14,622
Accumulated depreciation	(213)	(1,194)	(8,527)	(9,934)
Net book amount	174	999	3,515	4,688
Year ended 31 December 2011				
Opening net book amount	174	999	3,515	4,688
Additions	—	—	334	334
Disposals	—	—	(25)	(25)
Charge for the year	(14)	(194)	(1,028)	(1,236)
Closing net book amount	160	805	2,796	3,761
At 31 December 2011				
Cost	387	2,193	12,118	14,698
Accumulated depreciation	(227)	(1,388)	(9,322)	(10,937)
Net book amount	160	805	2,796	3,761
At 1 January 2012				
Cost	387	2,193	12,118	14,698
Accumulated depreciation	(227)	(1,388)	(9,322)	(10,937)
Net book amount	160	805	2,796	3,761
Year ended 31 December 2012				
Opening net book amount	160	805	2,796	3,761
Additions	—	413	1,399	1,812
Disposals	—	—	(21)	(21)
Charge for the year	(14)	(221)	(959)	(1,194)
Closing net book amount	146	997	3,215	4,358
At 31 December 2012				
Cost	387	2,606	13,310	16,303
Accumulated depreciation	(241)	(1,609)	(10,095)	(11,945)
Net book amount	146	997	3,215	4,358
At 1 January 2013				
Cost	387	2,606	13,310	16,303
Accumulated depreciation	(241)	(1,609)	(10,095)	(11,945)
Net book amount	146	997	3,215	4,358
Year ended 31 December 2013				
Opening net book amount	146	997	3,215	4,358
Additions	—	—	1,757	1,757
Disposals	—	(47)	(8)	(55)
Charge for the year	(14)	(212)	(591)	(817)
Closing net book amount	132	738	4,373	5,243

	Buildings on medium term lease	Motor vehicles	Furniture, fixtures and equipment	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2013				
Cost	387	2,136	14,985	17,508
Accumulated depreciation	(255)	(1,398)	(10,612)	(12,265)
Net book amount	132	738	4,373	5,243
At 1 January 2014				
Cost	387	2,136	14,985	17,508
Accumulated depreciation	(255)	(1,398)	(10,612)	(12,265)
Net book amount	132	738	4,373	5,243
Period ended 30 June 2014				
Opening net book amount	132	738	4,373	5,243
Additions	—	—	544	544
Disposals	—	—	(67)	(67)
Charge for the year	(8)	(75)	(331)	(414)
Closing net book amount	124	663	4,519	5,306
At 30 June 2014				
Cost	387	2,136	14,856	17,379
Accumulated depreciation	(263)	(1,473)	(10,337)	(12,073)
Net book amount	124	663	4,519	5,306

14 Investment properties

	Year ended 31 December			Six months ended 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Opening carrying amount	2,400,000	2,450,000	2,500,000	2,500,000
Additions	5,292	1,648	1,360	—
Changes in fair value	44,708	48,352	(1,360)	1,603,000
Closing carrying amount	2,450,000	2,500,000	2,500,000	4,103,000

The investment properties of the Target Business held under operating leases are located in Chongqing, the PRC under medium term lease and are measured using the fair value model.

At the end of each of the Relevant Periods, the investment properties were pledged to banks to secure bank loans granted to the Target Business.

Investment properties were revalued on 31 December 2011, 2012 and 2013 by DTZ Debenham Tie Leung Limited, and by Knight Frank Petty Limited on 30 June 2014. They are independent valuers with appropriate professional qualifications and experiences in the valuation of similar properties in the relevant locations. The valuation of properties on 31 December 2011, 2012, 2013 and 30 June 2014 have been principally arrived at by using the income capitalisation approach which is a method of valuation whereby valuation is the sum of capitalised value of the term income and the appropriately deferred reversionary income for the remaining term of the land use rights of the properties. For cross-checking purpose Knight Frank Petty Limited has also adopted the direct comparison approach for the valuation as at 30 June 2014. The capitalised value of the term income is derived by capitalising the rental income derived from existing tenancies for their respective unexpired terms of contractual tenancies, while the capitalised value of reversionary income is derived by capitalising the current market rents for the remaining terms of the land use rights of the properties. Capitalisation rates are estimated with reference to the yield generally accepted by the market for comparable properties, and determined within a reasonable range by the independent valuers.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The fair values of all investment properties at the end of each Relevant Periods were measured using valuation techniques with significant unobservable inputs and hence were classified as Level 3 of the fair value hierarchy. There were no transfers into or out of level 3 during the year.

The significant unobservable inputs to the fair value measurement are as follows:

	As at 31 December			As at 30 June
	2011	2012	2013	2014
Office:				
Average rental rates per square metre per month (RMB)	100	102	100	119
Retail:				
Average rental rates per square metre per month (RMB)	252	260	255	297
Capitalisation rates	9%	9%	9%	6.75%

For rental rate, the higher the rental rate, the higher the fair value will be. For capitalisation rate, the higher the capitalisation rate, the lower the fair value will be.

The increase in the fair value of the investment properties during the six months ended 30 June 2014 is attributable to the increase in average rent and the different capitalisation rates determined by the valuers by exercising their professional judgement.

Fair value measurements and valuation processes

In estimating the fair value of the investment properties of the Target Business, the Target Business used market observable data to the extent it is available. Where level 1 inputs are not available, the Target Business engages third party qualified valuers to perform the valuation of the investment properties. At the end of each reporting period, the management work closely with the qualified external valuers to establish and determine the appropriate valuation techniques and inputs for Level 2 and Level 3 fair value measurements. The Target Business first considers and adopts Level 2 inputs where inputs can be derived from observable quoted prices in the active market. When level 2 inputs are not available, the Target Business adopts valuation techniques that include Level 3 inputs. Where there is a material change in the fair value of the assets, the causes of the fluctuations will be reported to the directors.

Information about the valuation techniques and inputs used in determining the fair value of the investment properties of the Target Business are disclosed above.

15 Loans to a related company

The amounts represent entrusted loans through a bank to a related company and are interest bearing at 130% of the People's Bank of China Standard Rate and unsecured. The amounts are denominated in Renminbi and are repayable in 2017. The effective interest rate is 8.32% for all the years ended 31 December 2012 and 2013 and for the six months ended 30 June 2014.

16 Trade receivables

The aging analysis of the trade receivables of the Target Business by invoice dates at the end of the reporting period is as follows:

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 month	10,428	618	448	1,068
After 1 month, but within 3 months	—	281	1,229	206
Over 3 months	—	45	1,016	1,007
	10,428	944	2,693	2,281

There is no credit period given on billing for rental properties. Monthly rental are payable in advance by tenants in accordance with the lease agreements. Interest is charged on overdue balance at the rate of 0.05% per day. All trade receivables are denominated in Renminbi.

All trade receivables are past due but not impaired. These relate to a number of independent tenants for whom there is no recent history of default. The aging analysis of these trade receivables is shown above.

17 Loans to related companies

The balances include entrusted loans through banks to related companies of RMB1,446,000,000, RMB1,640,000,000, RMB1,235,000,000 and RMB1,115,500,000 as at 31 December 2011, 2012 and 2013 and 30 June 2014 respectively. The loans are interest bearing at rates ranging from 1.19% to 7.64%; 6.12% to 7.64%; 5.40% to 7.80% and 5.4% to 7.8% per annum for the years ended 31 December 2011, 2012 and 2013 and for the six months ended 30 June 2014 respectively. The amounts are denominated in Renminbi, unsecured and are repayable within the next twelve months from the end of each Relevant Period.

As at 31 December 2013 and 30 June 2014, the balances also include loans to a related company of RMB393,281,000 and RMB405,968,000 respectively, which are interest bearing at 0.2% per annum, denominated in Hong Kong dollar and repayable within the next twelve months from the end of the reporting period.

18 Amounts due from related companies

(a) The amount due from a related company represents interest receivable on the loans to a related company. The balance is repayable at the maturity date in 2017, together with the principal.

(b) The amounts due from related companies are interest free, unsecured and repayable on demand.

Prior to the completion of the acquisition of the Target Business by the Hui Xian REIT, these balances with related companies would be settled.

19 Cash and bank balances

The carrying amount of the cash and bank balances are denominated in the following currencies:

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Renminbi	31,788	108,232	32,233	88,421
Hong Kong dollar	4	4	1,040	2,731
	31,792	108,236	33,273	91,152

At 31 December 2011 and 2012 and 2013 and 30 June 2014, bank balances of RMB31,772,000, RMB108,223,000, RMB32,227,000 and RMB88,409,000 respectively are placed with banks in the Mainland China. The remittance of these funds out of the Mainland China is subject to exchange control restrictions imposed by the PRC government.

20 Trade payables and other payables and accrual

(a) Trade payables

The aging analysis of trade payables of the Target Business by invoice dates at the end of the reporting period is as follows:

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Within 3 months	708	873	1,743	1,302
Over 3 months	66	61	139	—
	774	934	1,882	1,302

All trade payables are denominated in Renminbi.

(b) Other payables and accruals

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Rental received in advance	12,803	12,608	12,690	8,044
Accrued bank interest	2,064	3,244	5,385	4,860
PRC taxes payable	5,002	6,569	5,930	11,083
Others	11,879	11,089	10,647	6,526
	31,748	33,510	34,652	30,513

21 Amounts due to related companies

Except for amounts due to related companies of RMB1,120,000,000 which were interest bearing during the year ended 31 December 2012 and were repaid during that year, the remaining amounts due to related companies are interest free at any other time during the Relevant Periods. The balances are unsecured and repayable on demand.

22 Bank loans

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Secured				
Wholly repayable within 5 years	1,000,000	740,000	740,000	735,000
Wholly repayable after 5 years	100,000	1,000,000	860,000	785,000
Unsecured				
Wholly repayable within 5 years	238,876	—	—	—
	1,338,876	1,740,000	1,600,000	1,520,000
Less: current portion	(748,876)	(140,000)	(140,000)	(140,000)
Non-current portion	590,000	1,600,000	1,460,000	1,380,000

The bank loans are repayable as follows:

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	748,876	140,000	140,000	140,000
Between 1 and 2 years	60,000	140,000	140,000	150,000
Between 2 and 5 years	430,000	460,000	460,000	445,000
Over 5 years	100,000	1,000,000	860,000	785,000
	1,338,876	1,740,000	1,600,000	1,520,000

The interest rates of the secured bank loans range from 5.99% to 6.35%; 5.76% to 7.14%; 5.76% to 7.48% and 5.90% to 7.21% per annum for the years ended 31 December 2011, 2012 and 2013 and six months ended 30 June 2014.

The interest rates of unsecured bank loans were 1% above London Inter-bank Offered Rate and 0.8% above Hong Kong Inter-bank Offered Rate.

As at 31 December 2011, unsecured bank loans of USD28,672,000 (equivalent to RMB181,841,000) were guaranteed by Hutchison Whampoa Properties Limited and Cheung Kong (Holdings) Limited.

The carrying amounts of the bank loans are denominated in the following currencies:

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Renminbi	1,100,000	1,740,000	1,600,000	1,520,000
Hong Kong dollar	57,035	—	—	—
United States dollar	181,841	—	—	—
	1,338,876	1,740,000	1,600,000	1,520,000

The fair values of the borrowings approximate their carrying amounts at the end of each Relevant Periods.

23 Loans from shareholders

The loans from shareholders are unsecured, interest free and not repayable within the next twelve months from the end of the Relevant Periods. The loans are denominated in Hong Kong dollar.

24 Deferred tax liabilities

Deferred taxation is calculated in full on temporary differences under the liability method using rates of taxation prevailing in the jurisdiction in which the Target Business operates.

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax liabilities	450,545	470,827	478,526	888,269

	Accelerated depreciation allowances	Changes in fair value of investment properties	Undistributed earnings of PRC subsidiary	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2011	161,125	270,246	—	431,371
Charge to profit or loss	7,997	11,177	—	19,174
At 31 December 2011	169,122	281,423	—	450,545
Charge to profit or loss	8,119	12,163	—	20,282
At 31 December 2012	177,241	293,586	—	470,827
Charge/(credit) to profit or loss	7,983	(284)	—	7,699
At 31 December 2013	185,224	293,302	—	478,526
Charge to profit or loss	758	401,838	7,147	409,743
At 30 June 2014	185,982	695,140	7,147	888,269

Deferred tax assets are recognised for unused tax losses carried forward to the extent that the realisation of related tax benefit through the future taxable profit is probable. At 31 December 2011, 2012 and 2013 and 30 June 2014, the Target Business has unrecognised tax losses of RMB705,000, RMB608,000, RMB511,000 and RMB475,000 respectively. These tax losses arise from the Target Company in Hong Kong and have no expiry date.

Under the EIT Law of PRC, withholding income tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not provided for in the combined financial statements in respect of temporary differences attributable to undistributed earnings of the PRC subsidiary amounting to approximately RMB317,125,000, RMB420,206,000 and RMB98,862,000 at 31 December 2011, 2012 and 2013 respectively as the Target Company is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. As at 30 June 2014, the distribution of the remaining undistributed earnings of the PRC subsidiary is expected to take place in the foreseeable future, therefore deferred tax liabilities of RMB7,147,000 was provided.

25 Capital

For the purpose of this report, the capital in the combined statement of financial position as at 31 December 2011, 2012 and 2013 and 30 June 2014 represented the capital of Target Company.

26 Notes to combined statement of cash flows

(a) Reconciliation of profit before taxation to cash generated from operations

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit before taxation	241,694	240,905	175,116	97,095	1,691,212
Depreciation	1,236	1,194	817	428	414
Finance costs	76,535	94,202	118,556	60,983	53,600
Interest income	(71,776)	(109,988)	(116,117)	(62,393)	(44,951)
Loss on disposal of property, plant and equipment	10	10	4	3	61
Changes in fair value of investment properties	(44,708)	(48,352)	1,360	225	(1,603,000)
Exchange (gain)/loss	(29,358)	(2,743)	267	(2,889)	(7,531)
Operating cash flows before changes in working capital	173,633	175,228	180,003	93,452	89,805
(Increase)/decrease in trade and other receivables, deposits and prepayments	(1,985)	9,406	(1,403)	(1,354)	(538)
(Increase)/decrease in amounts due from related companies	(322)	(4,216)	1,916	(213)	1,417
Increase/(decrease) in trade and other payables and accruals and tenancy deposits received	24,675	7,426	5,756	(2,317)	(5,210)
Increase/(decrease) in amounts due to related companies	(1,093)	1,894	248	834	(3,481)
	194,908	189,738	186,520	90,402	81,993

(b) Non-cash transaction

During the year ended 31 December 2012, capital contribution of RMB169,354,000 was made to the Target Company by way of capitalisation of the loans from shareholders.

27 Financial risk management

27.1 Financial risk factors

The activities of the Target Business expose it to a variety of financial risks: foreign exchange risk, interest rate risk, credit risk and liquidity risk. Risk management is carried out under policies approved by the board of directors. The overall risk management programme of the Target Business focuses on the unpredictability of financial market and seeks to minimise potential adverse effects on the financial performance of the Target Business.

(i) Foreign exchange risk

The Target Business operates in the PRC and the businesses are principally conducted in Renminbi. Except for certain bank loans, bank balances, amounts due to related companies, loan to a related company and loans from shareholders which are denominated in United States dollar or Hong Kong dollar, the revenue of the Target Business and majority of its operating costs is denominated in Renminbi. The Target Business is subject to foreign exchange risk arising from future commercial transactions, recognised assets and liabilities which are not denominated in Renminbi. The Target Business currently does not have a foreign currency hedging policy. The Target Business manages its foreign currency risk by closely monitoring the movement of the foreign currency rates.

The carrying amounts of the foreign currency denominated monetary (assets)/liabilities of the Target Business are as follows:

	As at 31 December			As at 30 June
	2011	**2012**	**2013**	**2014**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Assets				
Hong Kong dollar	4	3,658	396,349	409,728
Liabilities				
Hong Kong dollar	(394,203)	(168,675)	(161,673)	(167,033)
United States dollar	(181,841)	—	—	—
	(576,040)	(165,017)	234,676	242,695

The following table shows the sensitivity analysis of a 5% increase in the exchange rate of Renminbi against the relevant foreign currencies. The sensitivity analysis includes only foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. If there is a 5% increase in the exchange rate of Renminbi against the relevant currencies, the effect in the profit before taxation is as follows:

	Year ended 31 December			Six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (unaudited)**	**RMB'000**
Increase/(decrease) of profit before taxation	28,802	8,251	(11,734)	(6,972)	(12,135)

(ii) Interest rate risk

The Target Business is exposed to interest rate risk arising from loans to related companies, bank loans and bank balances. Other than these, the Target Business has no significant interest bearing assets, its income and operating cash flows are substantially independent of changes in market interest rates. In addition, bank loans at market interest rates expose the Target Business to cash flow interest rate risk.

The following sensitivity analysis has been determined based on the exposure to interest rate risks for non-derivative instruments existed at the end of the reporting period. For floating rate liabilities, the sensitivity analysis is prepared assuming the amount of liabilities outstanding at the end of the reporting period was outstanding for a whole year. The following table shows the sensitivity analysis of an increase of 100 basis-point in interest rates at the end of the reporting period to the profit or loss.

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Increase/(decrease) of profit before taxation					
Bank balances	318	1,082	322	879	884
Loans to related companies	—	1,900	1,900	1,900	1,900
Bank loans	(13,389)	(17,400)	(16,000)	(16,600)	(15,200)
	(13,071)	(14,418)	(13,778)	(13,821)	(12,416)

(iii) Credit risk

The Target Business is exposed to credit risk in relation to its trade and other receivables, cash deposits with banks, loans to related companies and amounts due from related companies.

The carrying amounts of trade and other receivables, bank balances, loans to related companies and amounts due from related companies represent the maximum exposure to credit risk in relation to financial assets of the Target Business.

To manage this risk, deposits are mainly placed with high-credit-quality financial institutions. The Target Business has policies in place to ensure that tenancy deposits are required from tenants prior to commencement of leases. Monthly rental in respect of investment properties are payable in advance by tenants in accordance with the lease agreements. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Target Business reviews regularly the recoverable amount of each individual trade receivables to ensure that adequate impairment losses are made for irrecoverable amounts.

The Target Business has assessed the recoverability of the advances to related companies and the creditworthiness of the companies by reference to the budgeted profitability of the property projects of the companies before making advances to these related companies. Except for the amount due from a particular related company which accounts for over 40% of the receivable from the related companies, the Target Business has no significant concentrations of credit risk, with exposure spread over a number of counterparties.

(iv) Liquidity risk

Management of the Target Business aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed credit facilities to finance its operation.

The table below analyses the non-derivative financial liabilities of the Target Business into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances, as the impact of discounting is not significant.

	Within 1 year	1 year to 2 years	Over 2 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2011				
Trade and other payables and accruals	14,717	—	—	14,717
Tenancy deposits	16,829	15,767	25,943	58,539
Amounts due to related companies	6,433	—	—	6,433
Loans from shareholders	—	336,876	—	336,876
Bank loans	796,073	94,811	597,356	1,488,240
At 31 December 2012				
Trade and other payables and accruals	15,267	—	—	15,267
Tenancy deposits	20,348	18,900	25,952	65,200
Amounts due to related companies	8,324	—	—	8,324
Loans from shareholders	—	164,804	—	164,804
Bank loans	254,320	245,019	1,908,432	2,407,771
At 31 December 2013				
Trade and other payables and accruals	17,914	—	—	17,914
Tenancy deposits	25,192	17,519	28,205	70,916
Amounts due to related companies	8,505	—	—	8,505
Loans from shareholders	—	159,654	—	159,654
Bank loans	245,019	235,718	1,671,422	2,152,159
At 30 June 2014				
Trade and other payables and accruals	11,938	—	—	11,938
Tenancy deposits	26,405	13,999	29,488	69,892
Amounts due to related companies	5,025	—	—	5,025
Loans from shareholders	—	164,816	—	164,816
Bank loans	240,416	240,783	1,537,248	2,018,447

27.2 Capital risk management

The objectives of the Target Business when managing capital are to safeguard the ability of the Target Business as a going concern in order to provide returns for shareholders and to support future development of business through the optimisation of the debt and equity balances. The strategy of the Target Business remains unchanged during the Relevant Periods.

The capital structure of the Target Business consists of borrowings (including bank loans and loans from shareholders) and shareholders' funds, as disclosed in the combined statements of financial position.

The Target Business reviews the capital structure periodically and manages its overall capital structure on the basis of the gearing ratio through the payment of dividends, new share issues and drawdown of new borrowings or repayments of existing borrowings. The gearing ratio is expressed as a percentage of net debt (bank loans and loans from shareholders less cash and bank balances) over total equity.

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Total debt	1,675,752	1,904,804	1,759,654	1,684,816
Less: cash and bank balances	31,792	108,236	33,273	91,152
Net debt	1,643,960	1,796,568	1,726,381	1,593,664
Total equity	1,825,756	2,176,422	2,287,136	3,548,587
Net gearing ratio	90%	83%	75%	45%

The decrease in gearing ratio is mainly due to repayment of bank borrowings and increase in equity.

27.3 Fair value estimation

The carrying amounts of trade and other receivables and trade and other payables recorded at amortised costs in the combined statements of financial position approximate to their fair values at the end of each reporting period due to their short maturities.

28 Commitments

(a) Capital commitments for property, plant and equipment and investment properties

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Authorised but not contracted for	60,320	85,575	107,310	—
Contracted but not provided for	—	—	794	563

(b) Operating lease commitments

At the end of the reporting period, the Target Business as the lessor had contracted with tenants for the following minimum lease rental under non-cancellable leases:

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	225,802	234,153	248,338	238,136
After 1 year, but within 5 years	421,256	341,923	327,012	310,608
After 5 years	20,904	—	1,754	285
	667,962	576,076	577,104	549,029

29 Related party transactions

During the Relevant Periods, the Target Business undertook the following transactions with related parties at mutually agreed rates in addition to those disclosed elsewhere in the Financial Information:

	Year ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Rental income received from related companies	2,491	2,237	2,201	1,065	1,127
Building service income from related companies	172	183	204	101	107
Interest income received from related companies	66,801	107,677	115,319	61,912	43,930
Consulting income received from related companies	—	3,669	3,425	1,440	456
Management and accounting fee paid to a related company	30	29	29	14	14
Property management consultancy fee paid to a related company	2,707	2,665	2,990	1,254	1,306
Management fee paid to a related company	4,087	4,023	6,352	2,753	1,817
Lease agency fee paid to a related company	5,793	4,737	5,063	2,757	2,217
Staff costs recharged by a related company	—	3,576	3,270	1,364	396
Interest expense paid to related companies	—	15,493	—	—	—

No compensation was paid to key management personnel (Note 8).

Details of the outstanding balances with related companies and loans from shareholders are disclosed in the combined statements of financial position, and Notes 15, 17, 18, 21 and 23.

Prior to the completion of the acquisition of the Target Business by the Hui Xian REIT, the balances with related companies would be settled.

30 Subsidiary

The subsidiary, Hutchison Enterprises (Chongqing) Limited ("HECL"), was incorporated in the PRC on 18 November 1993. The paid-up capital is RMB470,000,000 as at the end of each Relevant Periods. The subsidiary is 100% directly held by the Target Company as at the end of each Relevant Periods. The subsidiary is a wholly foreign owned enterprise. Its principal activity is property investment in the PRC.

The statutory financial statements of the subsidiary were prepared in accordance with Accounting Standards for Business Enterprises promulgated before 15 February 2006 and the "Accounting System for Business Enterprises" of the People's Republic of China and audited by PricewaterhouseCoopers Zhong Tian CPAs Limited Company for the years ended 31 December 2011 and 2012 and PricewaterhouseCoopers Zhong Tian LLP for the year ended 31 December 2013.

31 Events after reporting period

The subsidiary, HECL, declared dividends of RMB98,862,000 in August 2014 and the Target Company declared dividends of RMB518,333,000 in September 2014.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Business in respect of any period subsequent to 30 June 2014 and up to the date of this report. Save as disclosed in Note 31, no dividend or distribution has been declared or made by the Target Company or its subsidiary in respect of any period subsequent to 30 June 2014.

Yours faithfully,

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

Deloitte.
德勤

The following is the text of a report received from the reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, in respect of the Hui Xian REIT Group's pro forma financial information for the purpose of inclusion in this circular:

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF HUI XIAN ASSET MANAGEMENT LIMITED (AS MANAGER OF HUI XIAN REAL ESTATE INVESTMENT TRUST) AND DB TRUSTEES (HONG KONG) LIMITED (AS TRUSTEE OF HUI XIAN REAL ESTATE INVESTMENT TRUST)

We have completed our assurance engagement to report on the compilation of pro forma financial information of Hui Xian Real Estate Investment Trust ("Hui Xian REIT") and its subsidiaries (hereinafter collectively referred to as the "Group") by Hui Xian Asset Management Limited (the "Manager" of Hui Xian REIT) for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated statement of financial position as at 30 June 2014 and the pro forma statement of profit or loss and other comprehensive income for the year ended 31 December 2013 and related notes as set out on pages II-4 to II-9 of the circular issued by Hui Xian REIT dated 10 November 2014 (the "Circular"). The applicable criteria on the basis of which the Manager has compiled the pro forma financial information are described on pages II-4 to II-9 of the Circular.

The pro forma financial information has been compiled by the Manager to illustrate the impact of the proposed acquisition of the Chongqing Property (as defined in the Circular) through the acquisition of 100% of the issued share capital of Chesgold Limited (the "Acquisition") on the Group's financial position as at 30 June 2014 and the Group's financial performance for the year ended 31 December 2013 as if the transaction had taken place on 30 June 2014 and 1 January 2013 respectively. As part of this process, information about the Group's financial position and financial performance has been extracted by the Manager from the Group's financial statements for the six months ended 30 June 2014 and year ended 31 December 2013 respectively, on which an interim report and an audit report have been published respectively.

Manager's Responsibilities for the Pro Forma Financial Information

The Manager is responsible for compiling the pro forma financial information in accordance with paragraph 7.6(2) of the Code on Real Estate Investment Trusts (the "REIT Code") issued by the Securities and Futures Commission and with reference to Accounting Guideline 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.6(2) of the REIT Code, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420 Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 7.6(2) of the REIT Code and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2014 or 1 January 2013 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Manager in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and

- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 7.6(2) of the REIT Code.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
10 November 2014

1. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE ENLARGED GROUP

The following is the unaudited pro forma consolidated statement of financial position of the Enlarged Group as of 30 June 2014 which illustrates the financial impact of the Acquisition on the assets and liabilities of the Group assuming that the Acquisition had taken place on 30 June 2014. The unaudited pro forma consolidated statement of financial position of the Enlarged Group has been prepared based on:

(a) the unaudited condensed consolidated statement of financial position of the Group as of 30 June 2014, extracted from the interim report of the Group for the six months ended 30 June 2014;

(b) the consolidated statement of financial position of Chesgold Limited (hereinafter referred to as the “Target Company”) and its subsidiary (together hereinafter referred to as the “Target Group”) as of 30 June 2014, extracted from the Accountant’s Report set out in Appendix I of the Circular; and

(c) adjustments directly attributable to the Acquisition and not relating to other future event and decisions, as well as factually supportable based on the terms of the Sale and Purchase Agreement.

The unaudited pro forma consolidated statement of financial position of the Enlarged Group is prepared for illustrative purposes only and because of its nature, it may not give a true picture of the financial position of the Enlarged Group as of 30 June 2014 or at any future date following the completion of the Acquisition.

	The Group as at 30 June 2014	Target Group as at 30 June 2014	Pro forma adjustments	Notes	The Enlarged Group as at 30 June 2014
	RMB Million	RMB million	RMB million	Notes	RMB million
Non-current assets					
Investment properties	30,671	4,103	708	(2)	34,601
			20	(4)	
			(20)	(5)	
			(881)	(7)	
Property, plant and equipment	2,359	5	(5)	(1)	2,359
Land and related costs	4,215	—			4,215
Loans to a related company	—	190	(190)	(1)	—
Amounts due from a related company	—	28	(28)	(1)	—
Total non-current assets	37,245	4,326			41,175
Current assets					
Hotel inventories	25	—			25
Land and related costs	127	—			127
Trade and other receivables	61	5			66
Loans to related companies	—	1,521	(1,521)	(1)	—
Amounts due from related companies	—	292	(292)	(1)	—
Bank balances and cash	4,596	91	(782)	(2)	3,849
			(56)	(3)	
			(20)	(4)	
			20	(5)	
Total current assets	4,809	1,909			4,067
Total assets	42,054	6,235			45,242
Current liabilities					
Trade and other payables	436	32			468
Tenants' deposits	200	26			226
Amounts due to related companies	—	5	(5)	(1)	—
Tax payable	61	8			69
Manager's fee payable	74	—			74
Distribution payable	663	—			663
Bank loans	1,108	140	(140)	(1)	1,108
Total current liabilities	2,542	211			2,608
Total assets less current liabilities	39,512	6,024			42,634
Non-current liabilities					
Bank loans	2,775	1,380	(1,380)	(1)	5,847
			3,128	(2)	
			(56)	(3)	
Tenants' deposits	476	43			519
Loans from shareholders	—	165	(165)	(2)	—
Deferred tax liabilities	7,556	888	(881)	(7)	7,563
Total non-current liabilities, excluding net assets attributable to unitholders	10,807	2,476			13,929
Total liabilities, excluding net assets attributable to unitholders	13,349	2,687			16,537
Non-controlling interest	279	—			279
Net assets attributable to unitholders	28,426	3,548			28,426
Units in issue *('000)*	5,217,014		11,672	(6)	5,228,686
Net asset value per unit *(RMB)* attributable to unitholders	5.4487				5.4366

Notes:

1. The adjustment represents the assumed settlement of the amounts due to related companies, bank loans, loans to related companies and amounts due from related companies by the Target Group, as well as the assumed transfer of the property, plant and equipment to the Target Company's shareholders before the completion of the Acquisition in accordance with the Sale and Purchase Agreement. It is assumed that the resulting excess of assets over liabilities settled or transferred of RMB512 million is a distribution by the Target Group to the Vendors.

2. The adjustments represent the acquisition of the entire share capital of the Target Group, together with the acceptance of assignment of the loans from shareholders, at a consideration of RMB3,910 million. For the purpose of preparing the pro forma financial information, the adjustments represent the settlement of total consideration for the Acquisition of RMB3,910 million, which, pursuant to the Sale and Purchase Agreement, RMB3,128 million will be financed by the new bank borrowing and the remaining balance of RMB782 million would be settled by the bank balances and cash of the Hui Xian REIT.

   For the purpose of the preparation of the pro forma financial information, it is assumed that the Target Company is not a business and accordingly such acquisition is not accounted for as an acquisition of business but as an acquisition of assets. Accordingly, the resulting pro forma adjustment from the pro forma purchase price allocation is adjusted to the investment properties. The final allocation of the purchase price is subject to change at Completion Date, pending amongst others, the respective fair values of the relevant assets and liabilities of the Target Group as at Completion Date.

   The pro forma adjustment to investment properties is calculated as follows:

	RMB million
Total consideration:	
Settled via bank loan	3,128
Settled via bank balances and cash	782
	3,910
Loans from shareholders acquired	(165)
Adjusted net asset value of the Target Group as at 30 June 2014 (note a)	(3,037)
Proforma adjustment to the investment properties	708
Note a: Net asset value of the Target Group as at 30 June 2014 as extracted from the accountant's report of Chesgold Limited	3,548
Adjusted by (see note 1):	
Property, plant and equipment	(5)
Loans to a related company-non current	(190)
Amounts due from a related company-non current	(28)
Loans to related companies	(1,521)
Amounts due from related companies	(292)
Amounts due to related companies	5
Bank loans-current	140
Bank loans-non current	1,380
Adjusted net asset value of the Target Group as at 30 June 2014	3,037

3. The adjustment represents the payment of front-end fee on the new facilities drawn down for the purposes of the Acquisition which is assumed to be settled by bank balances and cash of Hui Xian REIT.

4. The adjustments represent the payment of stamp duty and professional fee expenses relating to the Acquisition amounting to RMB20 million to be settled by the bank balances and cash of the Hui Xian REIT, which has been capitalised into the investment properties as a cost directly attributable to the acquisition of the investment properties.

5. Pursuant to the Share and Purchase Agreement, the Consideration is subject to adjustment for the net current assets/liabilities, the non-current portion of the tenant deposits and the deferred tax liabilities relating to the undistributed earnings of PRC subsidiaries of the Target Company, excluding the items as set out in adjustment 1 above, at the completion date of the Acquisition.

6. The adjustment represents the payment of acquisition fee to the REIT Manager which is calculated at 1% of the purchase consideration of RMB3,910 million pursuant to Trust Deed of the Hui Xian REIT and it is assumed that they will wholly be settled in units of the Hui Xian REIT to be issued at market price. Based on the market price per unit of Hui Xian REIT as at 30 June 2014 of RMB3.35, being the closing price per unit of Hui Xian REIT quoted from The Stock Exchange of Hong Kong Limited, 11,671,642 units of Hui Xian REIT will be issued to the Manager.

7. The adjustment represents the reversal of the deferred tax liabilities recognised by the Target Company as at 30 June 2014 in respect of taxable temporary difference that arose from the investment properties before the Acquisition, as these taxable temporary differences arose from the initial recognition of the investment properties in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit.

8. Under the Sale and Purchase Agreement, the Vendors agreed to deliver to the Purchaser the Deed of Income Guarantee at Completion, under which each of the Vendors shall guarantee to the Purchaser that the Chongqing Company's Total Income shall not be less than RMB299.28 million per annum in each of the five financial years ending 31 December 2014, 2015, 2016, 2017 and 2018 (if Completion takes place in 2014), or each of the five financial years ending 31 December 2015, 2016, 2017, 2018 and 2019 (if Completion takes place in 2015) (the "Relevant Period"). The total amount of all payments to be made by the Vendors to meet the Income Shortfalls during the entire Relevant Period will be subject to a maximum amount of RMB100 million. Based on the forecast on the revenue of the Chongqing Company as prepared by the management, the pro forma fair value of the financial derivative is assumed to be insignificant as at 30 June 2014. The fair value of the financial derivative is subject to change upon the Completion.

2. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF THE ENLARGED GROUP

The following is the unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Enlarged Group for the period from 1 January 2013 to 31 December 2013 which illustrates the financial impact of the Acquisition on the results of the Group assuming that the Acquisition had taken place on 1 January 2013. The unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Enlarged Group have been prepared based on:

(a) the audited consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 December 2013 , extracted from the annual report of the Group for the year ended 31 December 2013;

(b) the consolidated statement of profit or loss and other comprehensive income of the Target Group for the year ended 31 December 2013 , extracted from the Accountant's Report set out in Appendix I of the Circular; and

(c) adjustments directly attributable to the Acquisition and not relating to other future event and decisions, as well as factually supportable based on the terms of the Sale and Purchase Agreement.

The unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Enlarged Group is prepared for illustrative purposes only and because of its nature, it may not give a true picture of the financial results of the Enlarged Group for the year ended 31 December 2013 or for any future financial period.

	The Group For the year ended 31 December 2013	Target Group For the year ended 31 December 2013	Pro forma adjustments	Notes	The Enlarged Group For the year ended 31 December 2013
	RMB million	RMB million	RMB million		RMB million
Revenue	2,710	276			2,986
Rental related income	55	6			61
Other income	126	119	(115)	(1)	147
			17	(5)	
Change in fair value of investment properties	412	(1)			411
Hotel inventories consumed	(54)	—			(54)
Staff costs	(84)	(29)			(113)
Depreciation and amortisation	(302)	(1)			(303)
Impairment loss on a hotel property	(520)	—			(520)
Other operating expenses	(831)	(76)	6	(1)	(901)
Finance costs	(88)	(119)	119	(2)	(167)
			(79)	(4)	
Manager's fee	(147)	—	(56)	(3)	(203)
Real estate investment trust expenses	(10)	—			(10)
Profit before taxation and transactions with unitholders	1,267	175			1,334
Income tax expense	(427)	(64)	27	(1)	(494)
			(30)	(2)	
Profit for the year, before transactions with unitholders	840	111			840
Distribution to unit holders	(1,262)	—	58	(8)	(1,324)
			(120)	(7)	
(Loss) profit and total comprehensive (expense) income for the year, after transactions with unitholders	(422)	111			(484)
Attributable to:					
Non-controlling interest	(132)				(132)
Unitholders	(290)		(53)	(8)	(352)
			(9)	(7)	
	(422)				(484)
Amount available for distribution	1,262		(58)	(8)	1,324
			120	(7)	
Units in issue *('000)*	5,164,525		13,013	(6)	5,177,538
Distribution per unit *(RMB)*	0.2455				0.2557

Notes:

1. The adjustment represents the reversal of interest income received by the Target Group on the entrusted loans through a bank to related parties due to the assumed settlement of the loans to related companies as a pre-condition to the completion of the Acquisition, the corresponding business tax levied on the interest income and the corresponding income tax effect calculated at applicable enterprise income tax rate.

2. The adjustment represents the reversal of finance costs on bank loans due to the assumed settlement of the bank loans as a pre-condition to the completion of the Acquisition and the corresponding income tax effect calculated at applicable enterprise income tax rate.

3. These adjustments reflect the pro forma expenses which would be charged by the REIT Manager pursuant to the Trust Deed of the Hui Xian REIT and the trustee fee. These pro forma expenses comprise:

   (a) the pro forma payment of Manager's base fee of approximately RMB12 million, which is calculated at 0.3% per annum of the fair value of Chongqing Property as at 31 December 2013;

   (b) the pro forma payment of Manager's variable fee of RMB5 million, which is calculated at 3% per annum of the net property income of Chongqing Property for the year ended 31 December 2013; and

   (c) the pro forma payment of Manager's acquisition fee of RMB39.1 million, which is calculated at 1% of the purchase consideration of RMB3,910 million for the Chongqing Property.

   (d) the pro forma trustee fee of less than RMB1 million calculated at 0.01% per annum on the fair value of Chongqing Property as at 31 December 2013.

4. The adjustment represents the accrual of pro forma borrowing costs of RMB60 million on the new borrowings which is calculated at Hong Kong Interbank Offered Rate plus 1.55% for period from 1 January 2013 to 31 December 2013 on the total borrowings of RMB3,128 million under the new facilities and the amortisation of front end fee on the new facilities of RMB19 million.

5. Under the Sale and Purchase Agreement, the Vendors agreed to deliver to the Purchaser the Deed of Income Guarantee at Completion, under which each of the Vendors shall guarantee to the Purchaser that the Chongqing Company's Total Income shall not be less than RMB299.28 million per annum in each of Relevant Period. Accordingly, the adjustment represents the shortfall in the Total Income of RMB17 million which is computed based on the actual Total Income achieved by the Chongqing Company for the year ending 31 December 2013, comparing to the Guaranteed Income Level of RMB299.28 million (assuming that the Acquisition had been completed on 1 January 2013 and the guaranteed income covered the year ended 31 December 2013). The actual Total Income of the Chongqing Company after Completion will likely be different from those presented in this unaudited pro forma financial information. Consequently, the shortfall in the Total Income will likely result in amounts that are different from those stated in this unaudited pro forma financial information. Furthermore, for the purposes of the unaudited pro forma consolidated statement of profit or loss and other comprehensive income, it is assumed that the fair value of the financial derivative arising from the Income Guarantee is insignificant at 1 January 2013 and 31 December 2013. The actual fair value of the Income Guarantee financial derivative at Completion Date and at other future dates is subject to change and may be different from that assumed in this unaudited pro forma financial information.

6. The adjustment represents the units of the Hui Xian REIT to be issued for the settlement of the following fees based on market price per unit of Hui Xian REIT as at 1 January 2013 of RMB4.15 for the acquisition fee mentioned in note (3c) above and RMB3.86 at 31 December 2013 for the manager's fees mentioned in notes (3a) and (3b) above , being the closing market price per unit of Hui Xian REIT quoted from The Stock Exchange of Hong Kong Limited:

   (a) Acquisition fee payable as mentioned in note (3c) above, assuming the acquisition fee will be paid entirely in the form of new units to be issued; and

   (b) Manager's fees as mentioned in notes (3a) and (3b) above. Based on historical pattern, it is assumed for the purposes of this unaudited pro forma financial information that 80% of the manager's fees will be paid in the form of new units to be issued.

7. This adjustment represents the amount available for distribution in respect of the Target Group and is determined in accordance with Hui Xian REIT's Trust Deed, that is, profit for the year, before transactions with unitholders after adjusting for changes in fair value of investment properties and deferred tax.

8. The adjustment of RMB58 million to distribution to unitholders represents the aggregate effect of the pro forma adjustments mentioned in notes (1) to (5) above, to the extent that they represent the amount available for distribution in respect of the Target Group, which is determined in accordance with Hui Xian REIT's Trust Deed, that is, profit for the year before transactions with unitholders, after adjusting for Manager's fees settled in units, deferred tax, distributable depreciation and amortisation and changes in fair value of investment properties. As disclosed in note 6, for the purposes of this unaudited pro forma financial information, it is assumed that a total of RMB53 million of various fees payable to the manager will be settled in units of Hui Xian REIT.

9. For the purposes of the unaudited pro forma consolidated statement of profit or loss and other comprehensive income, it is assumed that the carrying amount of the investment properties at 1 January 2013 after the pro forma adjustments detailed in notes 2, 4, 5 and 7 to the unaudited pro forma consolidated statement of financial position as if the Acquisition had taken place on 1 January 2013, approximates the fair value of investment properties at that date and as at 31 December 2013, which is assumed to approximate the purchase consideration of RMB3,910 million.

The following is the text of the valuation report, prepared for the purpose of inclusion in this circular, issued by the Independent Property Valuer, Knight Frank Petty Limited, in relation to the valuation of the Chongqing Property as at 31 August 2014:

Knight Frank
4/F, Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

T +852 2840 1177
F +852 2840 0600
www.knightfrank.com

Hui Xian Asset Management Limited
(as manager of Hui Xian Real Estate Investment Trust)
Unit 303, 3/F
Cheung Kong Center
2 Queen's Road Central
Hong Kong

DB Trustees (Hong Kong) Limited
(as trustee of Hui Xian Real Estate Investment Trust)
52/F, International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong

10 November 2014

Dear Sirs

Valuation of Retail Portion, Office Portion and Basement Portion of Metropolitan Plaza, No. 68 Zourong Road, Yuzhong District, Chongqing, The People's Republic of China

In accordance with your instructions for us to value the captioned property interests (the "Properties") to be purchased by Hui Xian Real Estate Investment Trust, as proposed by Hui Xian Asset Management Limited (the "Manager") in the People's Republic of China (the "PRC"), we confirm that we have carried out site inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the Properties as at 31 August 2014 (the "Date of Valuation").

Basis of Valuation

Our valuation is our opinion of the market value of the Properties which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of special value. The market value of the Properties is also estimated without regard to costs of sale and purchase, and without offset for any associated taxes.

Valuation Methodology

We have valued the Properties by reference to the tenancy schedules provided to us by the Manager, and where appropriate, by reference to the sales evidence as available on the market. In our course of valuation, we have adopted Income Capitalization Approach and cross-checked by the Direct Comparison Approach.

Income Capitalization Approach is a valuation methodology by reference to the capacity of a property to generate benefits (i.e. usually the monetary benefits of income and reversion) and convert these benefits into an indication of present value. It is based on the premise that an investor uses the income capability of an investment as a measure of value. The income from a property is usually annual rental income. The conversion of rental income into an expression of market value is known as the capitalization process, which is to convert estimated annual income expectancy into an indication of value either by dividing the income estimate by an appropriate yield rate or by multiplying the income estimate by an appropriate factor.

The key value drivers of the Income Capitalization Approach are the market rent and the capitalization rate. The market rent is mainly estimated with reference to the new lettings and/or renewals of the properties. The capitalization rates are estimated with reference to the yield generally expected by the market for comparable properties, which implicitly reflect the type and quality of the properties, the expectation of the potential future rental growth, capital appreciation and relevant risk factors, and our experience in valuing other similar properties. The adopted capitalization rates for the retail and office portions are both 6.75%.

For cross-checking purpose, we have also adopted Direct Comparison Approach. It is the most common valuation approach for valuing property by reference to comparable market transactions or listings of similar properties. The rationale of this approach is to directly relate the market comparable transactions with the Properties to determine the market value. Adjustments will be applied to the said comparable transactions to adjust for differences between the Properties and the comparable transactions. However, there is a lack of en-bloc transactions in the vicinity. Comparison can only be made with reference to individual strata-title property transactions in the locality.

Title Documents and Encumbrances

We have been provided with copies of title documents of the Properties. We have not searched the original documents to verify ownership. We have relied on the information given by the Manager and its legal adviser, Jincheng Tongda & Neal Law Firm (JT&N), regarding the title and other legal matters relating to the Properties.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on any properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Properties are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values.

Source of Information

We have relied to a considerable extent on the information given by the Manager and the legal opinion from the PRC legal adviser of the Manager. We have no reason to doubt the truth and accuracy of the information provided to us by the Manager and/or the PRC legal adviser of the Manager which is material to the valuation. We have accepted advice given by the Manager on such matters as planning approvals or statutory notices, easements, tenure, ownership, completion dates of buildings, particulars of occupancy, tenancy details, floor and site areas and all other relevant matters. Dimensions, measurements and areas included in the valuation report are based on information contained in the documents provided to us and are therefore only approximations. We have not been able to carry out on-site measurements to verify the correctness of the site and floor areas of the Properties and we have assumed that the site and the floor areas shown on the documents handed to us are correct. We were also advised by the Manager that no material facts have been omitted from the information provided.

Inspection and Measurement

We have inspected the exterior, and where possible, the interior of the Properties. The inspection was carried out by Jason Fung, our senior manager, and Stephen So, our assistant valuer, in August 2014. During the course of our inspection, we did not note any serious defects. However, no structural survey has been made and we are therefore unable to report as to whether the Properties are not free of rot, infestation or any other structural defects. Our valuation is based on the assumption that these aspects are satisfactory. We have not been able to carry out on-site measurement to verify the site and floor areas of the Properties and we have assumed that the areas shown on the copies of the document handed to us are correct. No tests were carried out on any of the services.

Remarks

As advised by the Manager, there exists a Deed of Income Guarantee which is a contractual arrangement between Joinpower Holdings Ltd., Cheerjoy Limited and DB Trustees (Hong Kong) Limited but not directly related to the Properties. The Deed of Income Guarantee is also non-transferrable by DB Trustees (Hong Kong) Limited. Therefore, the Deed of Income Guarantee has not been taken into account in the course of our valuation.

In preparing our valuation report, we have complied with the Chapter 6.8 of the Real Estate Investment Trusts (the "REIT Code") issued by the Securities and Futures Commission of Hong Kong and "The HKIS Valuation Standards (2012 Edition)" published by the Hong Kong Institute of Surveyors. We confirm that we are independent of the Manager, the trustee and any of the significant shareholders of the scheme within the meaning of Chapter 6.8 of the REIT Code.

Currency

Unless otherwise stated, the currency adopted in this report is in Renminbi.

Our executive summary and valuation certificate are attached.

Yours faithfully
For and on behalf of
Knight Frank Petty Limited

Clement W M Leung MCIREA MHKIS MRICS RPS (GP)
Executive Director
Head of China Valuation

Note: Clement W M Leung, MCIREA, MHKIS, MRICS, RPS (GP), has been a qualified valuer with Knight Frank Petty Limited since 1999 and has 21 years' experience in valuation of properties in Hong Kong, Macau, and Asia Pacific Region and has 19 years' experience in valuation of properties in the PRC.

EXECUTIVE SUMMARY

Properties

Retail Portion, Office Portion and Basement Portion of Metropolitan Plaza, No. 68 Zourong Road, Yuzhong District, Chongqing, The PRC

Description

Metropolitan Plaza (the "Development") is a large-scale composite development. It comprises three main portions, namely retail, office and basement portions. The office portion is erected upon the retail portion. The basement portion is located at portion of basement level 1 and whole basement level 2 of the Development.

The Properties comprise the retail portion, office portion and basement portion of the Development. The retail portion of the Development comprises 8 levels above-ground, a mezzanine level, a lower ground level and portion of basement level 1. The office portion is a 37-storey office tower whilst the basement portion is located at portion of basement Level 1 and whole basement level 2 of the Development.

Registered Owner

Hutchison Enterprises (Chongqing) Limited (the "Owner")

Gross Floor Area

According to the information provided , the detail of approximate gross floor area is listed as follows:

Portion	Approximate Gross Floor Area (sq. m.)
Retail Portion	88,919.18
Office Portion	54,617.37
Basement Portion	20,823.28
Total:	**164,359.83**

Lettable Area

According to the information provided, the detail of approximate lettable area of the retail and office portions is listed as follows:

Portion	Approximate Lettable Area (sq. m.)
Retail Portion	58,704.90
Office Portion	50,505.30
Total:	**109,210.20**

Date of Valuation

31 August 2014

Valuation Methodology

Income Capitalization Approach and cross-checked by Direct Comparison Approach

Market Value in Existing State as at Date of Valuation

Portion	Market value in existing state as at 31 August 2014
Retail Portion	RMB3,143,000,000
Office Portion	RMB921,000,000
Basement Portion	RMB40,000,000
Total:	**RMB4,104,000,000**

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2014
1.	Retail Portion of Metropolitan Plaza No. 68 Zourong Road Yuzhong District Chongqing The PRC	Metropolitan Plaza (the "Development") is a large-scale composite development erected on two parcels of land with a total site area of approximately 12,944.42 sq. m. It comprises three main portions, namely retail, office and basement portions. The office portion is erected upon the retail portion. The basement portion is located at portion of basement level 1 and whole basement level 2 of the Development. The retail and basement portion of the Development was completed in 1997 while the remaining portions of the Development were completed in 1998.	Portion of the property with a total lettable area of approximately 52,712.19 sq. m. has been leased under various tenancies with the last expiry term in September 2019 yielding a total monthly rental of approximately RMB16,000,000, inclusive of management fee. *(Please refer to note 5 for details)*	RMB3,143,000,000
		The property comprises the retail portion of the Development. It includes levels 1 to 8, a mezzanine floor between levels 7 and 8, level LG and portion of basement level 1 with a total gross floor area and a total lettable area of approximately 88,919.18 sq. m. and 58,704.90 sq. m. respectively.	The remaining portion of the property is vacant.	
		The property is held under land use rights term expiring on 30 August 2044 for composite use.		

Notes:

1. Pursuant to the Stated-owned Land Use Rights Certificate No. Yu Wai Guo Yong (2001) Zi Di 039 Hao issued by Chongqing Bureau of Land Resources and Housing Management dated 29 June 2001, the land use rights of a parcel of land with a site area of 4,292.83 sq. m. have been granted to Owner for a land use term expiring on 30 August 2044 for composite use.

2. Pursuant to the Stated-owned Land Use Rights Certificate No. Yu Wai Guo Yong (2001) Zi Di 041 Hao issued by Chongqing Bureau of Land Resources and Housing Management dated 29 June 2001, the land use rights of a parcel of land with a site area of 8,651.59 sq. m. have been granted to Owner for a land use term expiring on 30 August 2044 for composite use.

3. Pursuant to the Building Ownership Certificate No. Fang Quan Zheng 100 Zi Di 100900 Hao issued by Chongqing Bureau of Land Resources and Housing Management dated 20 November 2003, the building ownership of a 12-storey building with a total gross floor area of 109,742.46 sq. m. is vested in Owner.

4. In accordance with standard terms and conditions of the tenancy agreements, the landlord is responsible for the repair of main building structure and the tenant is responsible for the maintenance of internal non-structural repairs of the property.

5. According to the information provided by the Manager, the total monthly rental income (inclusive of management fee) of the property is approximately RMB16,000,000 while the total net monthly rental income (exclusive of management fee) is approximately RMB14,200,000.

6. The rental incomes mentioned in note 5 are contractual rental incomes without taking into account rent-free periods, turnover rent and other incomes, if any. According to the information provided, the total amount of turnover rent and other incomes is approximately RMB15,000,000 for the period between September 2013 and August 2014.

7. Pursuant to the tenancy information provided by the Manager, our analysis of the existing tenancy profile is set out below:

Occupancy Profile

Type	Approximate Lettable Area (sq. m.)	% of total
Leased	52,712.19	89.8
Owner-occupied	1,561.93	2.7
Vacant	4,430.78	7.5
Total:	**58,704.90**	**100.0**

Tenancy Commencement Profile (excluding the owner-occupied portion and rental income from turnover rent)

Year	Approximate Leased Area (N) (sq. m.)	% of total	Net Monthly Rental (RMB)	% of total	No. of Tenancies	% of total
2000 or before	29,396.43	55.8	4,398,523	30.9	3	2.6
2001 - 2005	2,145.20	4.0	300,134	2.1	3	2.6
2006 - 2010	7,775.41	14.8	3,912,496	27.5	34	29.8
2011	784.54	1.5	440,377	3.1	6	5.3
2012	3,551.08	6.7	2,220,096	15.6	21	18.4
2013	7,563.12	14.4	2,482,709	17.5	40	35.1
Jan - Aug 2014	1,388.51	2.6	469,306	3.3	5	4.4
Beyond Aug 2014	107.90	0.2	—	—	2	1.8
Total:	**52,712.19**	**100.0**	**14,223,641**	**100.0**	**114**	**100.0**

Tenancy Expiry Profile (excluding the owner-occupied portion and rental income from turnover rent)

Year	Approximate Leased Area (N) (sq. m.)	% of total	Net Monthly Rental (RMB)	% of total	No. of Tenancies	% of total
2014	1,874.52	3.6	1,818,598	12.8	16	14.0
2015	3,675.54	7.0	2,919,041	20.5	38	33.3
2016	10,304.01	19.5	3,200,557	22.5	39	34.2
2017	29,829.91	56.6	5,349,968	37.6	11	9.7
2018	2,394.72	4.5	618,384	4.4	6	5.3
2019	4,633.49	8.8	317,093	2.2	4	3.5
Total:	**52,712.19**	**100.0**	**14,223,641**	**100.0**	**114**	**100.0**

Tenancy Duration Profile (excluding the owner-occupied portion and rental income from turnover rent)

Year	Approximate Leased Area (N) (sq. m.)	% of total	Net Monthly Rental (RMB)	% of total	No. of Tenancies	% of total
Up to 1 Year	38.58	0.1	106,091	0.8	1	0.9
More than 1 Year and up to 2 Years	1,475.39	2.8	986,031	6.9	22	19.3
More than 2 Years and up to 3 Years	2,770.03	5.3	2,081,918	14.6	26	22.8
More than 3 Years and up to 4 Years	728.25	1.4	641,927	4.5	6	5.3
More than 4 Years and up to 5 Years	6,571.90	12.5	2,451,477	17.2	23	20.2
More than 5 Years and up to 6 Years	4,795.07	9.1	1,229,596	8.6	13	11.4
More than 6 Years and up to 7 Years	—	—	—	—	—	—
More than 7 Years and up to 8 Years	1,240.03	2.3	1,094,598	7.7	8	7.0
More than 8 Years and up to 9 Years	768.94	1.4	536,395	3.8	4	3.5
More than 9 Years and up to 10 Years	1,601.75	3.0	268,550	1.9	3	2.6
More than 10 Years	32,722.25	62.1	4,827,058	34.0	8	7.0
Total:	**52,712.19**	**100.0**	**14,223,641**	**100.0**	**114**	**100.0**

Note 1: As at the date of valuation, the total leased lettable area of about 52,712.19 sq. m. included an area of about 107.90 sq. m. for tenancies with lease term not yet commenced and an area of 52,604.29 sq. m. for tenancies with lease term already commenced.

Note 2: As at the date of valuation, there are 114 tenancies, in which 112 tenancies are with lease terms already commenced and 2 tenancies are with lease term not yet commenced.

8. We have noted from the market of the following strata-title asking rental of retail properties, details are listed as follows:

Comparable Property	Location	Type of Transaction	Date of Offer	Asking Monthly Rental (RMB/sq. m.) (G)
Golden Eagle Ladies Street	Bayi Road, Jiefangbei	Asking	June-August 2014	600-650
CRT Shopping City	Jiefangbei	Asking	June-August 2014	550-600

Please note that we are not the involved parties of the above transactions. Hence, we are unable to verify or obtain direct confirmation of the above information and we cannot guarantee, warrant or make any representation of the abovementioned information. The information provided is for reference purpose only.

9. We have been provided with the Manager's PRC legal advisors' opinion, which contains, inter-alia, the followings:

(i) the Owner has legally obtained the land use rights of the property. The Owner is the legal owner of the land use rights and building ownership of the property;

(ii) the land use rights and building ownership of the property can be legally transferred, leased, mortgaged or handled in other ways by the Owner subject to relevant laws and regulations and approval from the mortgagee;

(iii) the property is subject to a mortgage in favour of China Construction Bank for a consideration of RMB1.4 billion for a term expiring in 10 years from the date of the first withdrawal;

(iv) the Owner has to obtain the mortgagee's prior written consent before transferring or in other ways disposing of the property; and

(v) other than the mortgage mentioned in note (9)(iii), the property is free from other mortgages, expropriations and encumbrances.

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2014
2.	Office Portion of Metropolitan Plaza No. 68 Zourong Road Yuzhong District Chongqing The PRC	Metropolitan Plaza (the "Development") is a large-scale composite development erected on two parcels of land with a total site area of approximately 12,944.42 sq. m. It comprises three main portions, namely retail, office and basement portions. The office portion is erected upon the retail portion. The basement portion is located at portion of basement level 1 and whole basement level 2 of the Development. The retail and basement portion of the Development was completed in 1997 while the remaining portions of the Development were completed in 1998. The property comprises the 37-level office tower of the Development with a total gross floor area and a total lettable area of approximately 54,617.37 sq. m. and 50,505.30 sq. m. respectively. The property is held under land use rights term expiring on 30 August 2044 for composite use.	Portion of the property with a total gross floor area of approximately 47,138.92 sq. m. has been leased under various tenancies with the last expiry term in August 2017 yielding a total monthly rental of approximately RMB5,900,000 inclusive of management fee. *(Please refer to note 5 for details)* Portion of the property with a total gross floor area of approximately 2,007.69 sq. m. is occupied by the Owner for office use. The remaining portion of the property is vacant.	RMB921,000,000

Notes:

1. Pursuant to the Stated-owned Land Use Rights Certificate No. Yu Wai Guo Yong (2001) Zi Di 039 Hao issued by Chongqing Bureau of Land Resources and Housing Management dated 29 June 2001, the land use rights of a parcel of land with a site area of 4,292.83 sq. m. was granted to Owner for a land use term expiring on 30 August 2044 for composite use.

2. Pursuant to the Stated-owned Land Use Rights Certificate No. Yu Wai Guo Yong (2001) Zi Di 041 Hao issued by Chongqing Bureau of Land Resources and Housing Management dated 29 June 2001, the land use rights of a parcel of land with a site area of 8,651.59 sq. m. was granted to Owner for a land use term expiring on 30 August 2044 for composite use.

3. Pursuant to the Building Ownership Certificate No. Fang Quan Zheng 100 Zi Di 100102 Hao issued by Chongqing Bureau of Land Resources and Housing Management dated 24 May 1999, the building ownership of a 37-storey building with a total gross floor area of 54,617.37 sq. m. for office use is vested in Owner.

4. In accordance with standard terms and conditions of the tenancy agreements, the landlord is responsible for the repair of main building structure and the tenant is responsible for the maintenance of internal non-structural repairs of the property.

5. According to the information provided by the Manager, the total monthly rental income (inclusive of management fee) of the property is approximately RMB5,900,000 while the total net monthly rental income (exclusive of management fee) is approximately RMB4,700,000.

6. The rental incomes mentioned in note 5 are contractual rental incomes without taking into account rent free periods, if any.

7. Pursuant to the tenancy information provided by the Manager, our analysis of the existing tenancy profile is set out below:

Occupancy Profile

Type	Approximate Gross Floor Area (sq. m.)	% of total
Leased	47,138.92	93.3
Owner-occupied	2,007.69	4.0
Vacant	1,358.69	2.7
Total:	**50,505.30**	**100.0**

Tenancy Commencement Profile (excluding the owner-occupied portion)

Year	Approximate Leased Area (G) (sq. m.)	% of total	Net Monthly Rental (RMB)	% of total	No. of Tenancies	% of total
2011	2,788.94	5.9	251,516	5.4	5	3.3
2012	8,049.29	17.1	789,491	16.8	28	18.5
2013	22,397.49	47.5	2,232,009	47.5	75	49.7
Jan - Aug 2014	13,715.89	29.1	1,425,909	30.3	42	27.8
Beyond Aug 2014	187.31	0.4	—	—	1	0.7
Total:	**47,138.92**	**100.0**	**4,698,925**	**100.0**	**151**	**100.0**

Tenancy Expiry Profile (excluding the owner-occupied portion)

Year	Approximate Leased Area (G) (sq. m.)	% of total	Net Monthly Rental (RMB)	% of total	No. of Tenancies	% of total
2014	4,616.34	9.8	427,214	9.1	21	13.9
2015	16,498.69	35.0	1,617,443	34.4	63	41.7
2016	16,234.70	34.4	1,635,644	34.8	46	30.5
2017	9,789.19	20.8	1,018,624	21.7	21	13.9
Total:	**47,138.92**	**100.0**	**4,698,925**	**100.0**	**151**	**100.0**

Tenancy Duration Profile (excluding the owner-occupied portion)

Year	Approximate Leased Area (G) (sq. m.)	% of total	Net Monthly Rental (RMB)	% of total	No. of Tenancies	% of total
Up to 1 Year	236.13	0.5	28,342	0.6	3	2.0
More than 1 Year and up to 2 Years	17,001.96	36.1	1,641,668	35.0	77	51.0
More than 2 Years and up to 3 Years	27,129.52	57.6	2,757,462	58.7	68	45.0
More than 3 Years and up to 4 Years	1,476.05	3.1	147,278	3.1	2	1.3
More than 4 Years and up to 5 Years	1,295.26	2.7	124,175	2.6	1	0.7
Total:	**47,138.92**	**100.0**	**4,698,925**	**100.0**	**151**	**100.0**

Note 1: As at the date of valuation, the total leased lettable area of about 47,138.92 sq. m. included an area of about 187.31 sq. m. for a tenancy with lease term not yet commenced and an area of 46,951.61 sq. m. for tenancies with lease term already commenced.

Note 2: As at the date of valuation, there are 151 tenancies, in which 150 tenancies are with lease terms already commenced and a tenancy is with lease term not yet commenced.

8. We have noted from the market of the following strata-title asking unit rate of office properties, details are listed as follows:

Comparable Property	Location	Completion Date	Type of Transaction	Date of offer	Asking Unit Rate (RMB/sq. m.) (G)
Chongqing International Business Center	174 Zhonghua Road, Jiefangbei	2004	Asking	June-August 2014	15,000-16,000
Yingli International Financial Center	40 Minquan Road, Jiefangbei	2011	Asking	June-August 2014	24,000-25,000
Xinhua International	Shizijin Road, Jiefangbei	2011	Asking	June-August 2014	20,000-21,000

Please note that we are not the involved parties of the above transactions. Hence, we are unable to verify or obtain direct confirmation of the above information and we cannot guarantee, warrant or make any representation of the above information. The information provided is for reference purpose only.

9. We have been provided with the Manager's PRC legal advisors' opinion, which contains, inter-alia, the followings:

(i) the Owner has legally obtained the land use rights of the property. The Owner is the legal owner of the land use rights and building ownership of the property;

(ii) the land use rights and building ownership of the property can be legally transferred, leased, mortgaged or handled in other ways by the Owner subject to relevant laws and regulations;

(iii) the property is subject to mortgages in favour of China Merchants Bank for a total consideration of RMB820 million. The Owner has repaid RMB570 million of the aforesaid mortgages. However, one of the mortgage agreements with a consideration of RMB250 million has not been implemented and the Owner is processing cancellation of the agreement. After cancellation of the agreement, the property can be freely transferred by sale, grant or in other ways by the Owner legally;

(iv) the Owner has to obtain the mortgagee's prior written consent before transferring or in other ways disposing of the property; and

(v) Other than the mortgage mentioned in note (9)(iii), the property is free from other mortgages, expropriations and encumbrances.

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2014
3.	Basement Portion of Metropolitan Plaza No. 68 Zourong Road Yuzhong District Chongqing The PRC	Metropolitan Plaza (the "Development") is a large-scale composite development erected on two parcels of land with a total site area of approximately 12,944.42 sq. m. It comprises three main portions, namely retail, office and basement portions. The office portion is erected upon the retail portion. The basement portion is located at portion of basement level 1 and whole basement level 2 of the Development. The retail and basement portion of the Development was completed in 1997 while the remaining portions of the Development were completed in 1998. The property comprises the car park portion on portion of basement level 1 and portion of basement level 2 of the Development with a total gross floor area of approximately 15,141.28 sq. m., providing a total of 353 car parking space. The property also comprises the plant and machinery area of portion of basement level 2 with a total gross floor area of approximately 5,682.00 sq. m. The property is held under land use rights term expiring on 30 August 2044 for composite use.	Portion of the property is leased under various licenses on monthly and/or hourly basis. As advised by the Manager, the average monthly income is approximately RMB250,000 for the period between September 2013 and August 2014.	RMB40,000,000

Notes:

1. Pursuant to the Stated-owned Land Use Rights Certificate No. Yu Wai Guo Yong (2001) Zi Di 039 Hao issued by Chongqing Bureau of Land Resources and Housing Management dated 29 June 2001, the land use rights of a parcel of land with a site area of 4,292.83 sq. m. was granted to Owner for a land use term expiring on 30 August 2044 for composite use.

2. Pursuant to the Stated-owned Land Use Rights Certificate No. Yu Wai Guo Yong (2001) Zi Di 041 Hao issued by Chongqing Bureau of Land Resources and Housing Management dated 29 June 2001, the land use rights of a parcel of land with a site area of 8,651.59 sq. m. was granted to Owner for a land use term expiring on 30 August 2044 for composite use.

3. Pursuant to the Building Ownership Certificate No. Fang Quan Zheng 100 Zi Di 100900 Hao issued by Chongqing Bureau of Land Resources and Housing Management dated 20 November 2003, the building ownership of a 12-storey building with a total gross floor area of 109,742.46 sq. m. is vested in Owner.

4. We have been provided with the Manager's PRC legal advisors' opinion, which contains, inter-alia, the followings:

   (i) the Owner has legally obtained the land use rights of the property. The Owner is the legal owner of the land use rights and building ownership of the property;

   (ii) the land use rights and building ownership of the property can be legally transferred, leased, mortgaged or handled in other ways by the Owner subject to relevant laws and regulations and approval from the mortgagee;

   (iii) the property is subject to a mortgage in favour of China Construction Bank for a consideration of RMB1.4 billion for a term expiring in 10 years from the date of the first withdrawal;

   (iv) the Owner has to obtain the mortgagee's prior written consent before transferring or in other ways disposing of the property; and

   (v) other than the mortgage mentioned in note (4)(iii), the property is free from other mortgages, expropriations and encumbrances.

MARKET OVERVIEW

Chongqing is one of the four direct-controlled municipalities in China.

With its well-developed transportation infrastructure and excellent geographic location, Chongqing is also a major transportation hub in Southwestern China.

According to the Chongqing Municipal Bureau of Statistics, the population of Chongqing has reached approximately 33.6 million by the end of 2013, representing a YoY increase of 0.45%.

In economic terms, the Gross Domestic Product (GDP) of Chongqing has experienced steady growth over the past 20 years and has reached approximately RMB1,266 billion in 2013, representing a YoY increase of 12.3%.

Secondary and tertiary industries are the dominating industries of the city and accounted for more than 92% of the total GDP.

Chongqing Retail Market

Supply and Demand

Jiefangbei CBD and Guanyinqiao are the two major traditional retail regions in Chongqing.

Chongqing's retail supply is expected to grow in the coming few years, but these new projects are concentrated in emerging retail regions like Jiangbeizui and New North Zone.

For the retail market in Jiefangbei CBD, Metropolitan Plaza is the first and most established retail mall in the area. Since its opening in 1997, Metropolitan Plaza has continued to maintain its dominant position with respect to its consistent high occupancy in the area despite the completion of a number of other retail projects including Times Square, Yingli IFC and WFC (World Financial Center) Mall.

In the long run, Wuyi Road where Metropolitan Plaza is located has been designated by the Chongqing Government as the future "Wall Street" of Western China. This initiative is poised to boost the development of commercial and retail activities in the area, creating a new business landscape that provides a stable customer base to Metropolitan Plaza and other retailers in the region.

Market Trend

The retail leasing market in Chongqing has been steady in the past two years, with traditional retail regions such as Jiefangbei CBD and Guanyinqiao generally recording a higher rental level and a higher occupancy rate compared to emerging retail regions.

Although a number of retail projects are expected to be completed in the emerging retail regions in the future, these new supplies are not expected to create a significant impact on the occupancy rate and rental level of traditional retail regions as the traditional retail regions are considered to be supported by a stable customer base. In addition, in Jiefangbei CBD's case, it is considered that it will further benefit from the Government's initiative to designate Wuyi Road as the "Wall Street" of Western China.

Chongqing Office Market

Supply and Demand

Jiefangbei CBD and Jiangbeizui are the two prime business areas in Chongqing.

Since its opening in 1998, Metropolitan Plaza's office tower is the only single-owner Grade A office property in the Jiefangbei CBD up until recently. Currently, the only other single-owner Grade A office property in the area is HNA Poly International which is located in the far west of Jiefangbei.

In Jiefangbei CBD, there are a number of strata-title office projects. They include Yingli IFA and Westin International. These strata-titled office developments however, are considered less attractive to big multinational corporates, consulates and financial institution tenants, as these organisations' preference mainly lies in single-ownership office buildings which are usually more renowned for high quality building management and maintenance.

With the proposed plan to develop Wuyi Road in Jiefangbei CBD where Metropolitan Plaza is located as the "Wall Street" of Western China, it is expected that more commercial developments will emerge in this area in the long run. The planned construction of the underground traffic network and new CRT lines connecting to Jiefangbei CBD, together with the continuing economic development, is expected to take the area to new heights.

In the coming few years, a number of office projects are expected to be completed in the Jiangbeizui area. It is believed that the office projects will be disposed of in strata-title. As the economy continues to develop, the occupancy rate and rental level will gradually reach its optimal level. Occupancy rate of single-ownership Grade A office developments, such as Metropolitan Plaza, is considered not to be affected materially.

Market Trend

As at Q2 2014, the average office occupancy rate in Jiefangbei CBD is about 80%.

Metropolitan Plaza's office tower holds the record for the highest occupancy rate in the area. Over the years, it has maintained a consistent high occupancy rate of over 90%. Consequently, its occupancy rate has never been affected by new market supplies ever since its establishment and which is considered mainly due to the majority of the new developments are strata-titled ones.

The occupancy rate for strata-titled projects in Jiefangbei CBD is expected to further improve after the market gradually absorbs the new supply from the newly completed office projects.

The following is the text of the market consultant's report, prepared for the purpose of inclusion in this circular, issued by the Market Consultant, Savills Property Services (Chengdu) Limited Chongqing Branch:

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Section 1 Macroeconomics

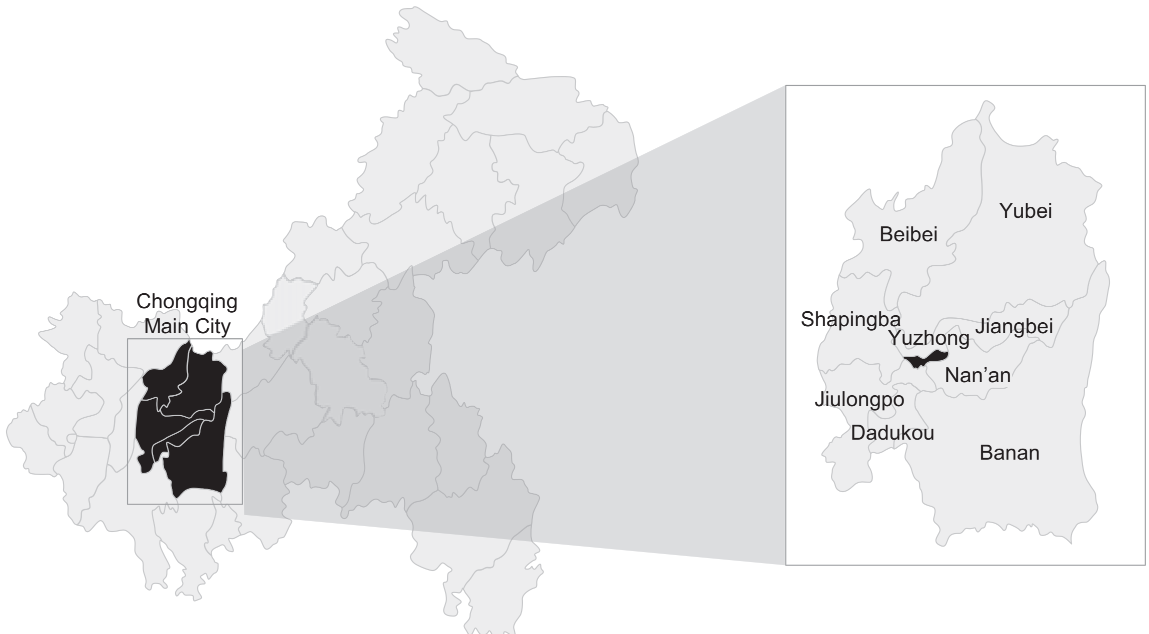
1.1 General Introduction of Chongqing

Chongqing is one of the four direct-controlled municipalities that report directly to central government (the other three are Beijing, Shanghai and Tianjin) in China. With approximately 33.6 million inhabitants, it has jurisdiction over 21 administrative districts, 13 counties, 4 autonomous counties with a total area of approximately 83,000 square kilometres and a long history of cultural and political significance spanning more than 3,000 years. It is the most populous and largest city by area in China and in the world.

Acclaimed as "China's Chicago", Chongqing is the only mega city in inland parts of China with access to all four modes of transport: rail, river, road and air. Its strategic location and well developed infrastructure system render the city an economic, financial, manufacturing and logistics hub that connects China's inland to the east coast and the rest of the world. Chongqing is one of the most significant and fastest growing cities globally.

Figure 1.1 Location of Chongqing

Figure 1.2 Map of Chongqing Municipality and Chongqing Main City



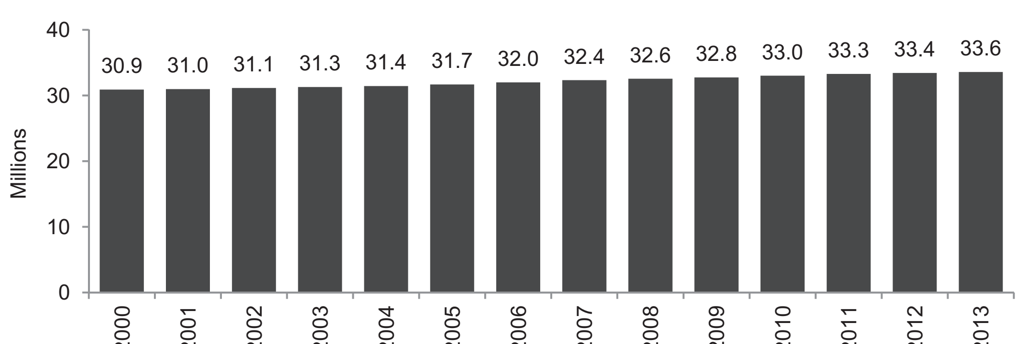
Chongqing main city area includes nine districts, namely Yuzhong district, Jiangbei district, Shapingba district, Jiulongpo district, Banan district, Dadukou district, Yubei district, Beibei district and Nan'an district.

As a political, economic, financial and cultural centre in the upper Yangtze River region, Chongqing maintains its importance over the past half-century and it is expected to continue.

1.2 Population

Chongqing is the most populous city in China. According to the Chongqing Bureau of Statistics, the population of Chongqing has grown from 30.9 million in 2000 to 33.6 million in 2013. Currently, there are seven million inhabitants living in the Chongqing core city area, and the figure is expected to reach 12 million in 2020.

Figure 1.3 Chongqing population growth, 2000 – 2013



Source: Chongqing Bureau of Statistics and Savills Research

1.3 Gross Domestic Product

Chongqing is one of the most significant and fastest growing cities globally. According to the Chongqing Bureau of Statistics, Chongqing's Gross Domestic Product (GDP) reached RMB1,266 billion in 2013. During the first half of 2014, Chongqing's GDP reached RMB644 billion, up by 10.9% y-o-y and achieved the highest growth rate amongst all key cities in China.

Figure 1.4 GDP of Chongqing, 2000 – 1H2014

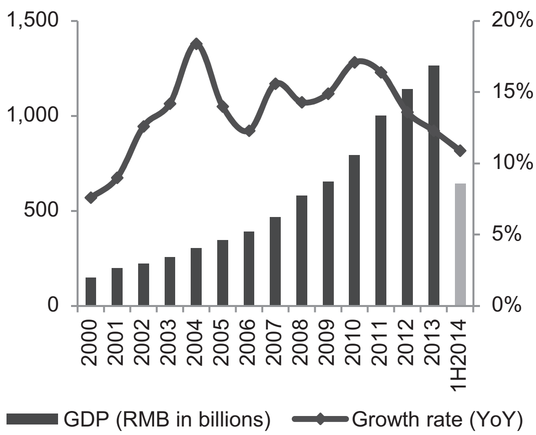
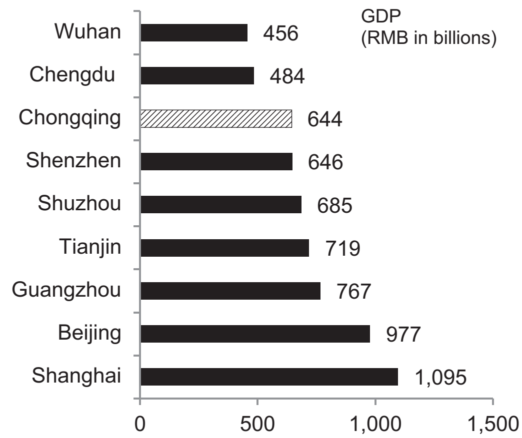


Figure 1.5 GDP rankings of key cities, 1H2014



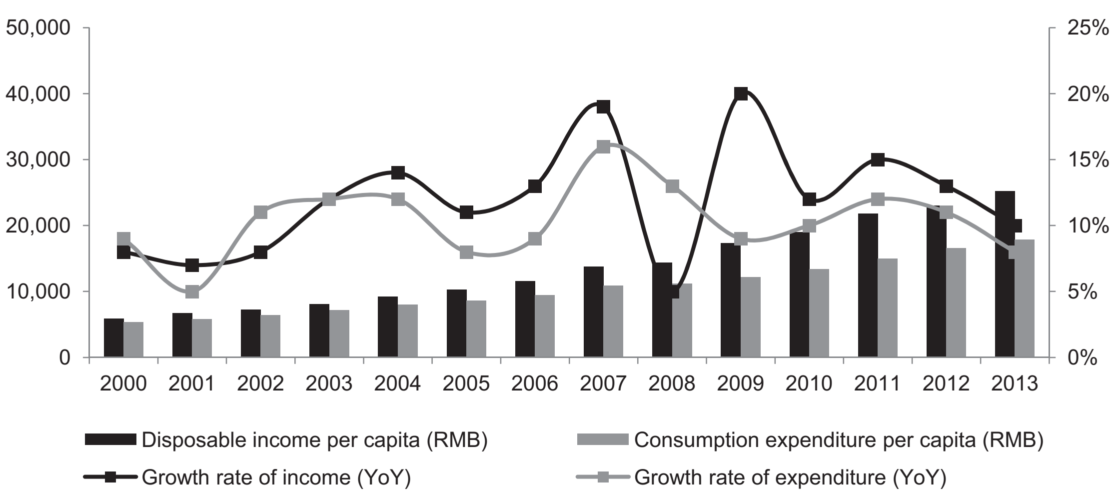
Source: Chongqing Bureau of Statistics and Savills Research

1.4 Personal Income and Expenditure

Chongqing's disposable income and expenditure have experienced remarkable growth. The gap between average disposable income and consumption expenditure has been widening since 2009. In 2013, disposable income was RMB25,216 and personal expenditure was RMB17,814.

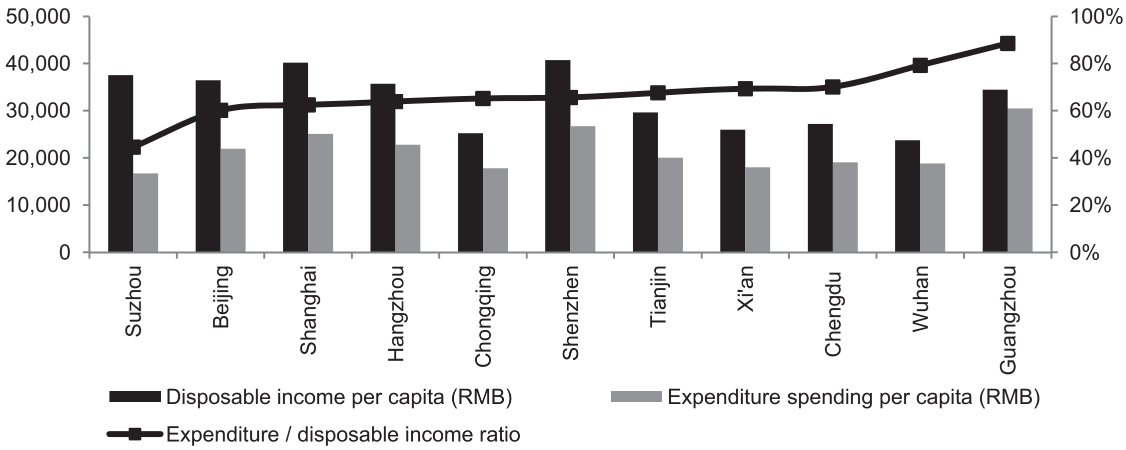
Compared to other second tier cities, Chongqing's per capita disposable income is still slightly behind. The expenditure / disposable income ratio in Chongqing is 65% in 2013.

Figure 1.6 Disposable income per capita and consumption expenditure per capita of Chongqing Residents, 2000 – 2013



Source: Chongqing Bureau of Statistics and Savills Research

Figure 1.7 Expenditure / disposable income ratio of key cities, 2013



Source: Chongqing Bureau of Statistics and Savills Research

1.5 Retail Sales of Consumer Goods

Chongqing is one of the key commercial centres in inland China. According to the Chongqing Bureau of Statistics, Chongqing retail sales totalled RMB451.2 billion in 2013, representing a year-on-year (YoY) increase of 14%. Overall retail sales in Chongqing ranked first in inland China and fourth nationally, just behind Shanghai, Beijing and Guangzhou. It is anticipated that positive economic prospects and continual government support will further stimulate the growth of the Chongqing retail market.

Figure 1.8 Chongqing retail sales of consumer goods 2000 – 1H2014

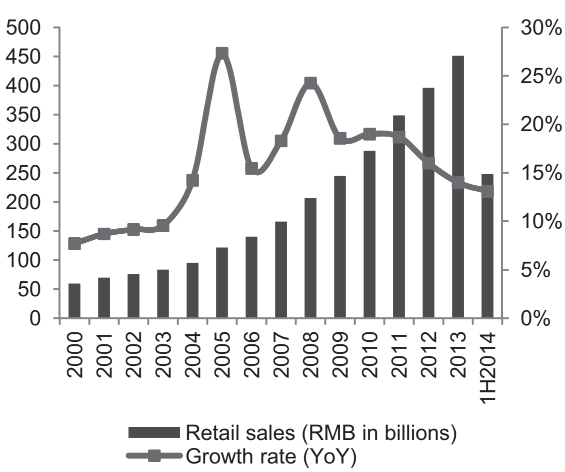
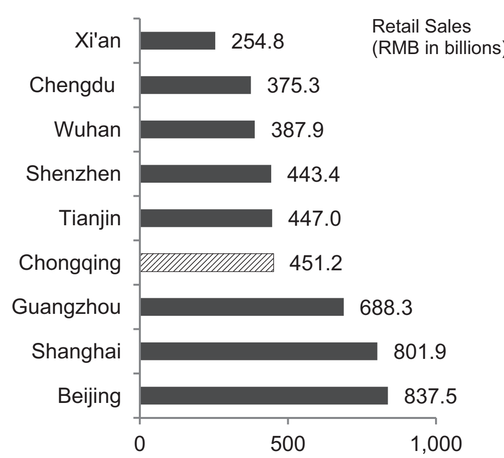


Figure 1.9 Retail sales of key cities, 2013



Source: Bureau of Statistics and Savills Research

1.6 GDP (Industry) Composition

Chongqing's secondary and tertiary industries have experienced remarkable growth and have played an increasingly important role in the economy since the beginning of the 21st century. In 2000, the GDP breakdown of primary, secondary and tertiary industry was 18:39:43 versus 8:51:41 in 2013.

Secondary industry is now the key industry in Chongqing and is still booming as the government encourages more high-tech manufacturing and logistics business in the city through various supportive policies (i.e., policy and financial incentives).

Tertiary industry maintains an important element of Chongqing's GDP with growth driven by urban expansion and influx of both the rural population and the skilled population from coastal cities. It is anticipated that both secondary and tertiary industries will continue to be key drivers of Chongqing's economic growth in the coming years.

1.7 Foreign Direct Investment (FDI)

Foreign Direct Investment (FDI) in Chongqing started its robust growth trajectory since 2008, driven by implementation of the Government's policies targeted at boosting the economy of inland parts of China. In addition, the improvement of the inland transportation network and the lower labour costs have encouraged many foreign companies in coastal cities to relocate to inland areas. It is anticipated that with lower labour costs, an improving transport network (both by water and railway) and continuing policy support, FDI in Chongqing is expected to grow continuously. In 2013, FDI in Chongqing was US$4.14 billion, representing a 34.3% year-on-year growth.

1.8 Introduction of Jiefangbei CBD

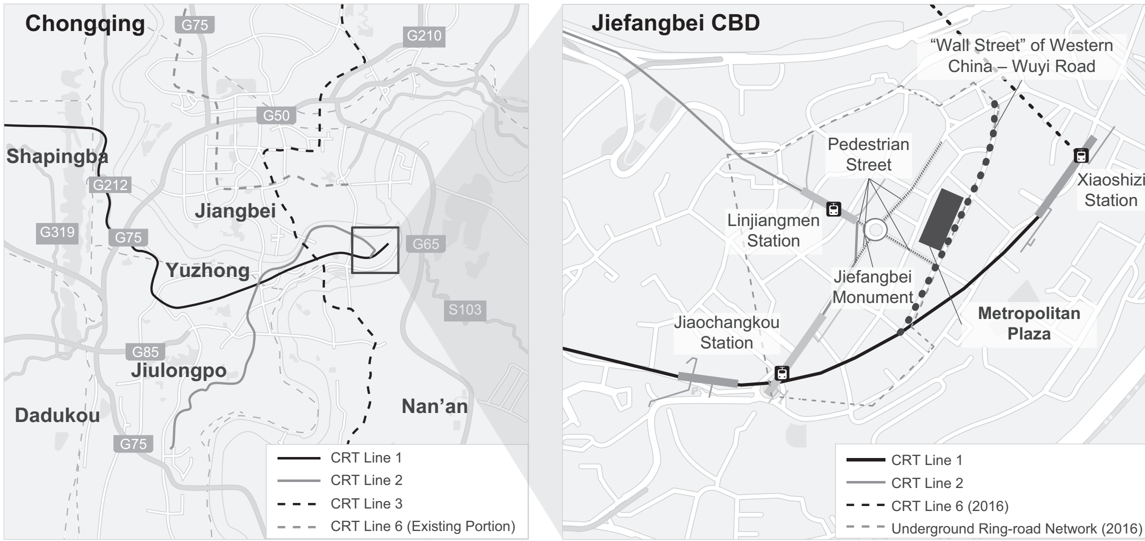
Jiefangbei (解放碑) CBD, located in the most prosperous downtown area at Yuzhong (渝中) district of Chongqing, is an area of cultural and historical importance. The Jiefangbei CBD was officially designated by the Chongqing Municipal Government as the commercial and trade centre of Chongqing in 2003. Currently, it has over 60% and 20% of the city's high grade office and retail supply.

Established in 1997, the Jiefangbei Pedestrian Street was the first commercial pedestrian street project in Chongqing. The Jiefangbei Pedestrian Street boasts robust foot traffic with 300,000 visitations during weekdays and over one million visitations during holidays, and is the busiest part of downtown Chongqing.

With increasing competition from other emerging districts, Jiefangbei CBD is actively adopting different measures to strengthen its status as the most important CBD of Chongqing, and one of the key initiatives is to expand the core commercial area towards Wuyi Road.

As the future 'Wall Street' of western China, Wuyi Road where Metropolitan Plaza is located, is designated by the Chongqing Government with the objective of providing quality office and retail space to boost the development of commercial and retail activities.

Figure 1.10 Map of Jiefangbei CBD



Note: The detailed plan of CRT Line 10 in Jiefangbei CBD has not yet been published by Municipal Bureau of Urban Planning

1.9 Improvement to the Infrastructure of Jiefangbei CBD

Jiefangbei CBD is the traditional hub of Chongqing and has been developed for decades. Similar to the core areas of other major cities, accessibility is the key to its further developments.

In addition to a number of bus lines as well as the Yangzi Cable Car and Chaotianmen Dock which serve the area, there are currently three existing Chongqing Rail Transit (CRT) stations in Jiefangbei CBD: Linjiangmen Station (臨江門站), Jiaochangkou Station (較場口站) and Xiaoshizi Station (小什字站), providing access to Line 1 and Line 2 of the CRT. In addition, the upcoming Line 6 and Line 10 of CRT will have stations in the Jiefangbei CBD and near the Jiefangbei CBD respectively. Line 6 and phase 1 of Line 10 are expected to be operational by 2016 and 2017 respectively, further increasing the Jiefangbei CBD's connectivity.

To further improve accessibility of the area, a double deck bridge connecting Jiangbeizui and Jiefangbei CBD is recently being constructed and is expected to open by the end of 2014; this aims to offer a new route for commuters travelling from Yubei and Jiangbei districts.

Additionally, an underground ring road connecting all major projects in Jiefangbei CBD is also under construction. This network of ring road will improve vehicle access to the area, bringing in more visitors to the region. Construction of Phases I and II of this project have been completed and the entire network is expected to open in 2016.

Figure 1.11 Future underground ring-road network of Jiefangbei CBD

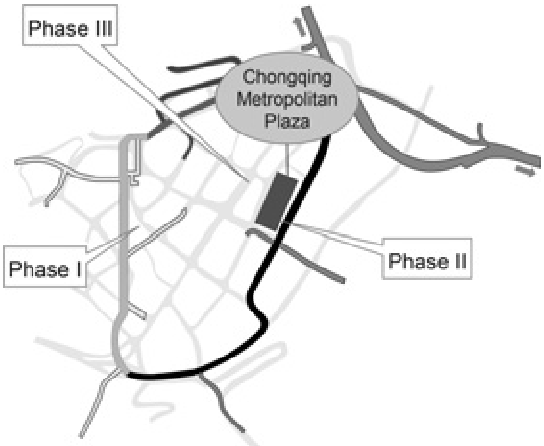


Figure 1.12 CRT network of Jiefangbei CBD

Source: Savills Research

1.10 Future "Wall Street" of Western China

Wuyi Road is designated by the Chongqing Government as the future "Wall Street" of Western China.

With new retail and office developments, as well as the enhancement of the area's infrastructure and overall environment, the core business activities within Jiefangbei CBD will be extended towards Wuyi Road, further enhancing the business environment and driving greater foot traffic.

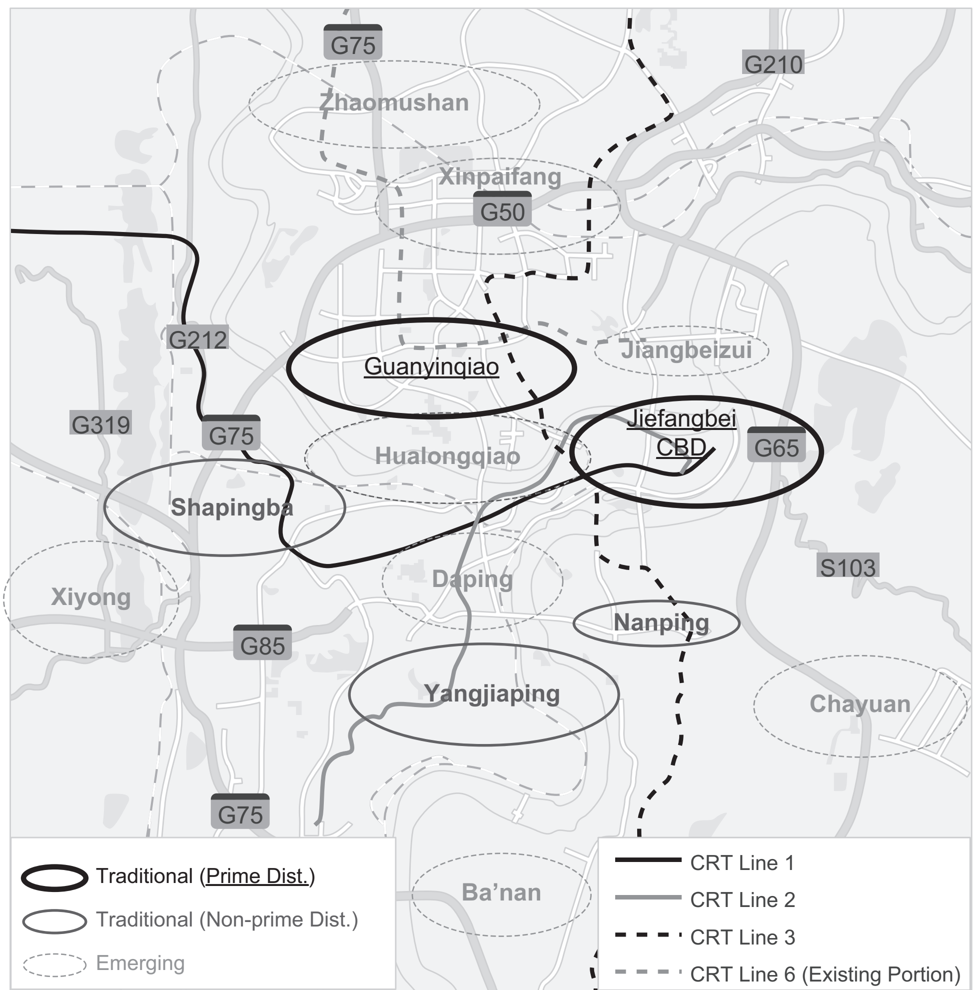
With a façade of almost 100 meters long on Wuyi Road, Metropolitan Plaza which has an established customer base and features a comprehensive retail offering stands to gain from the Wuyi Road development.

Section 2 Retail Market

2.1 General Introduction to Chongqing Retail Market

The Chongqing retail market can be categorised into five traditional precincts and eight emerging precincts. The five traditional areas can be further categorised into prime districts namely Jiefangbei 解放碑 CBD and Guanyinqiao 觀音橋, and non-prime districts namely Shapingba 沙坪壩, Nan'ping 南坪 and Yangjiaping 楊家坪 (Figure 2.1).

Figure 2.1 Traditional and Emerging Precincts in Chongqing



2.2 Current Supply

Up to Q2/2014, total retail stock in Chongqing is 2.6 million sq. m. Most retail properties are located in Jiefangbei CBD, Guanyinqiao and Nanping precincts.

In comparison with other major cities in China, Chongqing has the second highest retail sales per retail stock at RMB93,959 per sq. m. for the six months ending Q2/2014, while Guangzhou, Chengdu, Shanghai and Beijing's figures are RMB104,598, RMB34,307, RMB41,791, and RMB46,441 per sq. m. for the six months ending Q2/2014 respectively.

Figure 2.2 Chongqing retail stock and supply, 2000 – Q2/2014

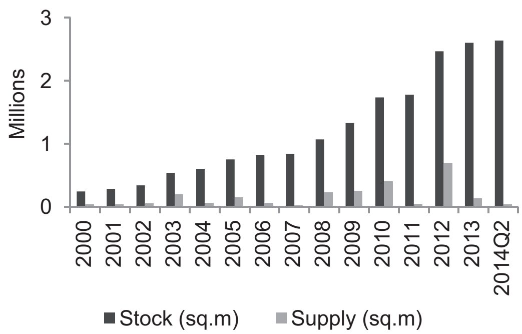


Figure 2.3 Chongqing retail stock, distribution, Q2/2014

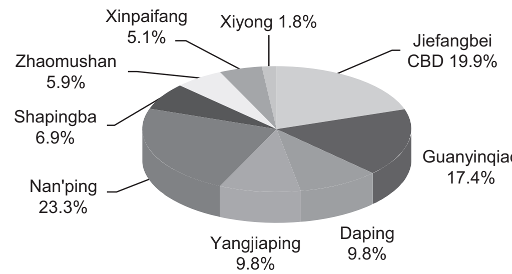
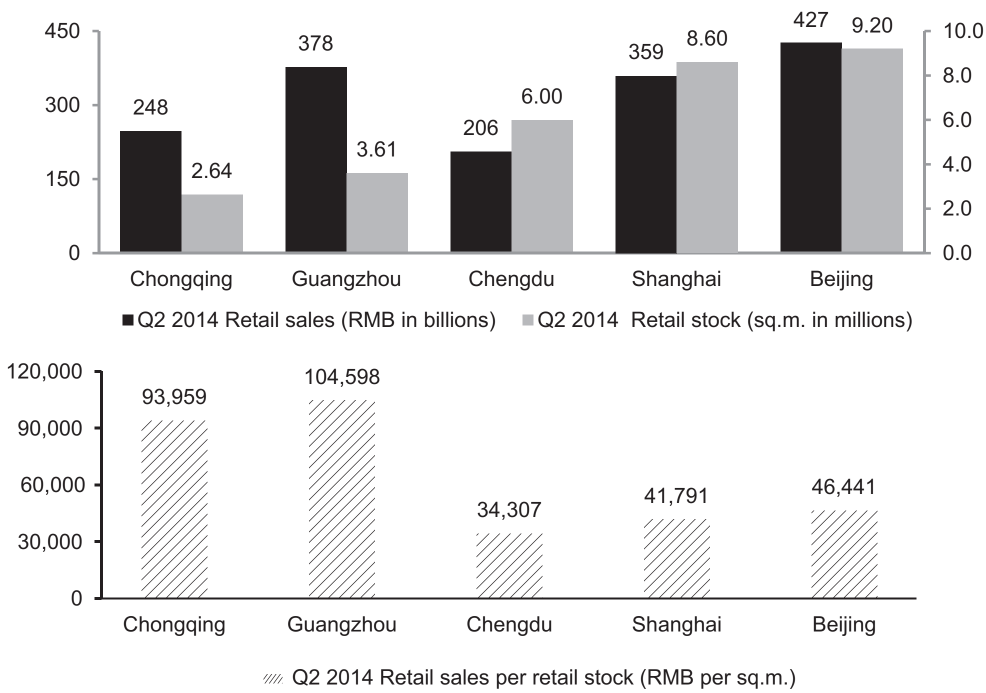


Figure 2.4 Comparison of major cities retail stock in Q2 2014 and retail sales for the six months ending Q2 2014



Source: Savills Research

2.3 Snapshot of the Chongqing retail market, Q2/2014

Prime precincts have a lower vacancy rate and are able to achieve a higher average rent compared to non-prime districts.

Figure 2.5 Vacancy rate and average monthly rent on first floor retail in Chongqing

Total supply	Total = 2,637,900 sq. m. Traditional districts: ~2.12 million sq m Emerging districts: ~ 500,000 sq m
Vacancy rate %	Prime districts: 4.0%, down 3.2% Quarter-on-Quarter (QoQ) Non-prime districts: 5.6 %, up 3.7% QoQ
Monthly average rent on first floor retail (RMB per sq. m.)	Prime districts: RMB829.9 per sq m, down 0.1% QoQ Non-prime districts: RMB574.6 per sq m, up 1.1% QoQ

Source: Savills Research

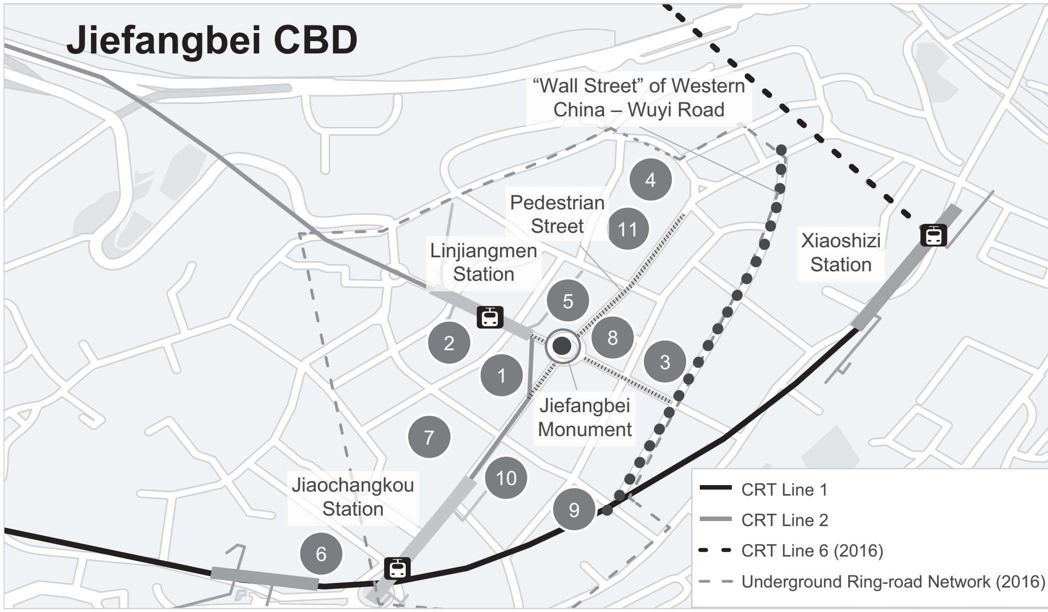
2.4 Retail Market in Jiefangbei CBD

The Jiefangbei CBD retail market began to grow with the introduction of the groundbreaking Metropolitan Plaza in 1997, which introduced an entirely different shopping experience to Chongqing residents. Before that, the retail market was dominated by department stores. The Metropolitan Plaza anchored the initial growth of the surrounding area, which subsequently attracted a cluster of other commercial properties and drove the retail market growth in Jiefangbei CBD and Chongqing. And with the development of the city, the retail supply accelerated in the last three years with the introduction of new shopping malls, such as Yingli IFC, WFC and ASE Shopping Centre.

As at Q2/2014, there were 11 existing retail projects. The total retail GFA (Gross floor area) in Jiefangbei CBD was 542,514 sq. m. (Figure 2.6).

Due to the lack of large scale land plots, most of the existing retail properties in Jiefangbei CBD are relatively small in size in terms of GFA, mostly ranging from 10,000 to 50,000 sq. m. Metropolitan Plaza has a differentiated position as a mid- to high-end shopping centre. It has competitive offerings consisting of a department store, a wide range of international designer brands, a food court and a variety of restaurant and leisure amenities including a cinema and an ice-skating rink. Thus, there is limited direct competition for Metropolitan Plaza within Jiefangbei CBD. The Metropolitan Plaza's consistently high occupancy rate is a strong testament of its competency.

Figure 2.6 Key Retail Projects in Jiangfaibei CBD

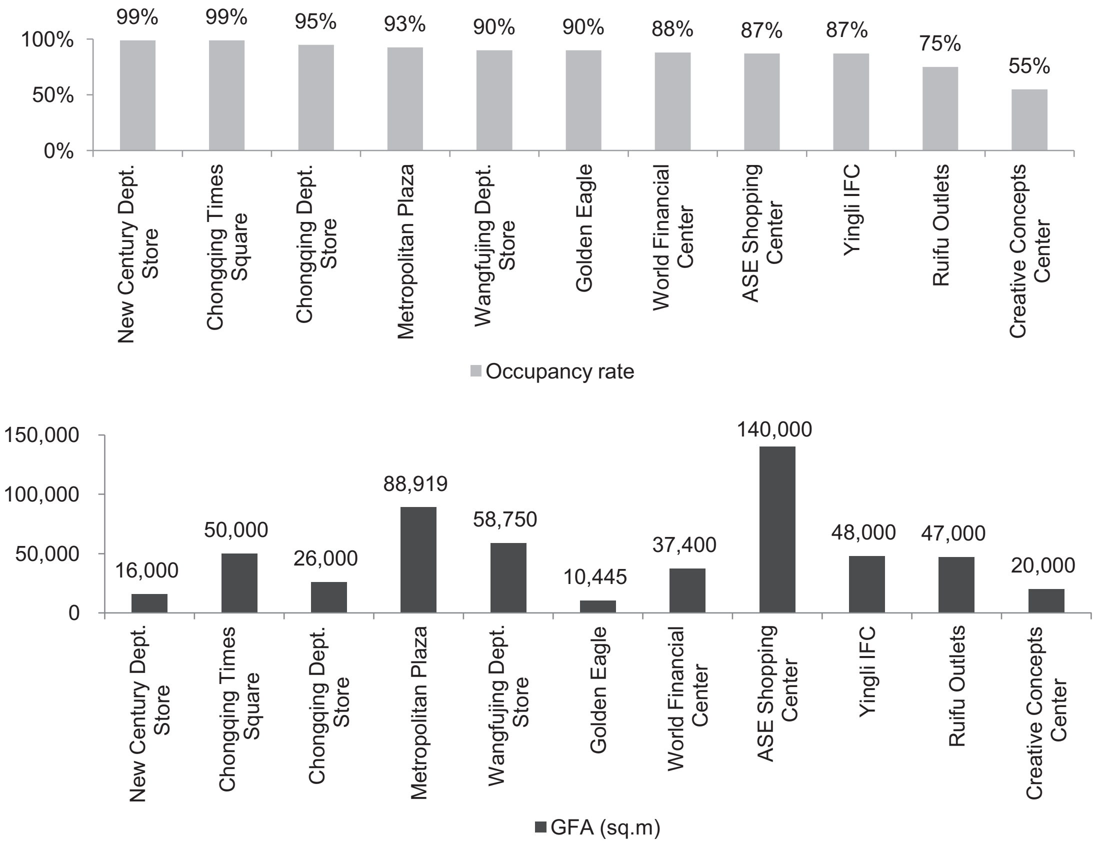


	Property Name	Year of opening	GFA (sq. m.)	Type	Target Market
1	Chongqing Department Store	1985	26,000	Department Store & Supermarket	Mid
2	New Century Department Store	1995	16,000	Department Store & Supermarket	Mid
3	Metropolitan Plaza	1997	88,919	Shopping Centre	Mid–high
4	Wangfujing Department Store	2003	58,750	Department Store & Supermarket	Mid
5	Chongqing Times Square	2005	50,000	Shopping Centre	High
6	ASE Shopping Center	2010	140,000	Shopping Centre	Mid
7	Yingli IFC	2012	48,000	Shopping Centre	Mid–high
8	Golden Eagle Shopping Mall	2012	10,445	Shopping Centre	High
9	Creative Concepts Center	2012	20,000	Shopping Centre	Mid
10	Ruifu Outlets	2013	47,000	Shopping Centre	Mid
11	World Financial Center	2014	37,400	Shopping Centre	High

Note: Hongya Cave is a shopping street and thus excluded from the table.

Source: Savills Research

Figure 2.7 Occupancy rate of existing retail properties in Jiefangbei CBD, Q2/2014



Source: Savills Research

2.5 Competition Analysis

There are currently two mature retail malls in Jiefangbei CBD: Metropolitan Plaza and Times Square. Metropolitan Plaza has an established customer base, a comprehensive retail offering, a strong brand recognition and a good rental performance. ASE Centre is not a direct competition to Metropolitan Plaza and Times Square as it is far away from core Jiefangbei CBD centre with low-end positioning despite its large GFA.

Figure 2.8 Comparison of Metropolitan Plaza and Times Square

	Metropolitan Plaza	Times Square
Precinct	Jiefangbei CBD	Jiefangbei CBD
Opening year	1997	2005
Retail GFA (sq. m.)	88,919	40,000
Positioning	Mid- to high-end	High-end
No. of floors	B2-L7	B1-L6
Average first floor rent (RMB/sq. m./month)	1,000	860
Parking space (number of lots)	353	290
Developer	Hutchison Whampoa	Wharf Group
Selected retail tenants	Tru Trussadi, Aquascutum, Omega, Armani Collezioni, Armani Jeans, Dunhill, Calvin Klein, Hugo Boss, G Givenchy, Cerruti 1881, Lacoste, ECCO, Paul Frank, Rimowa, Bose, Levi's, Longines, Montblanc, Watsons, Adidas, Nike	Armani Exchange, Louis Vuitton, Tod's, Burberry, Alfred Dunhill, Salvatore Ferragarmo, Armani, Marc by Marc Jacobs, Givenchy, Emporio Armani, DKNY, Nine West, Lusso Brillante, Versace, Kenzo
Selected food and beverage tenants	Food Republic, Rui Taifeng Restaurant, Waipoqiao Restaurant	QQ RICE, Creemee J, Qing Restaurant, Zhenzhiwei Porridge Restaurant
Department store	Far Eastern Department store	NA
Leisure Amenities	Ice-skating rink, Studio City (movie theatre)	NA

Source: Savills Research

2.6 Future Supply of Chongqing Retail Market

Retail GFA is expected to increase by another 3.17 million square metres to 4.19 million by 2018. Most of the new retail supply, such as the MixC (萬象城), a 320,000 sq. m. shopping mall which opened in September 2014 located at the fringe of Yangjiaping precincts, are located in emerging precincts or non-prime traditional precincts outside the city centre.

Other upcoming large retail malls are located in emerging precincts such as Jiangbeizui and Xinpaifeng. In traditional precincts, upcoming projects are all small in scale due to the lack of large-scale land plot supply. Traditional precincts, such as Guanyinqiao and Jiefangbei CBD, will have a number of smaller upcoming projects.

Given the difference in target consumer and retail format, traditional prime precincts like Jiefangbei CBD are not expected to be significantly affected by competition from emerging areas in the near future.

2.7 Future Supply of Jiefangbei CBD Retail Market

Retail GFA in Jiefangbei CBD is expected to increase by a further 430,000 sq. m. by 2018, taking the total retail GFA to over 900,000 sq. m.

It is anticipated that Metropolitan Plaza, the area's most established shopping mall, will not be affected by competition from surrounding new projects due to its reputation and location, as well as its differentiated positioning and scale.

2.8 Retail Market – Outlook

The retail market is expected to remain healthy with ongoing economic growth boosted by urbanisation, the emerging middle-class population and the government's policies to develop inland China. Most of the new retail supply will be located in emerging areas such as Jiangbeizui and Xinpaifang. The traditional Jiefangbei CBD will have no new large-scale shopping malls in the near future.

Given the difference in target consumer and retail format, traditional prime precincts like Jiefangbei CBD are not expected to be significantly affected by competition from emerging areas in the near future.

Section 3 Office Market

3.1 General Introduction to the Chongqing Office Market

The office market in Chongqing has mainly been situated in four commercial hubs, namely Jiefangbei (解放碑) CBD, Guanyinqiao (觀音橋), Nan'ping (南坪) and Yangjiaping (楊家坪). In recent years, another three hubs have emerged, namely Jiangbeizui (江北嘴), Xinpaifang (新牌坊) and Hualongqiao (化龍橋).

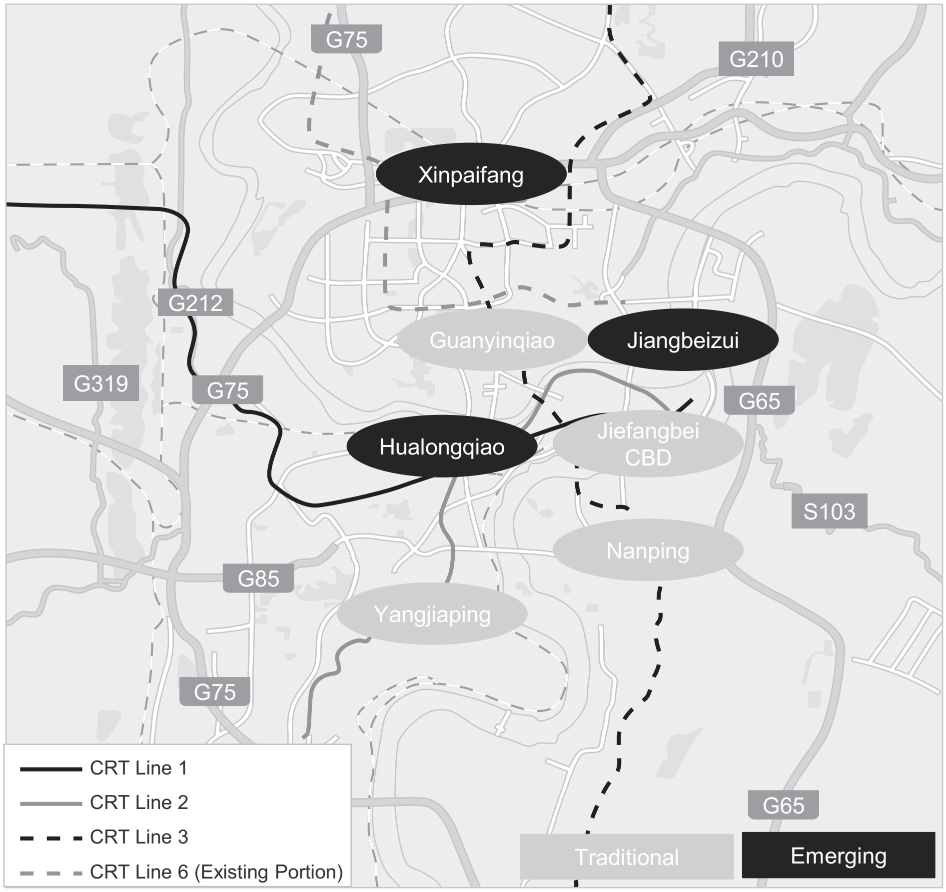
Jiefangbei CBD currently dominates the office supply in Chongqing. As of 2Q 2014, 62% of quality office supplies are located in Jiefangbei CBD. The quality offices in Jiefangbei CBD primarily target international and domestic companies, as well as government institutes. Wuyi Road in the Jiefangbei CBD area has been designated by the Chongqing Government as the future "Wall Street" of Western China to boost development of commercial and retail activities.

Jiangbeizui is an emerging hub for office buildings. It is expected to have a number of projects handed over before 2018, which will account for 40% of the new office GFA. According to the development status and government planning indication, Jiangbeizui is positioning itself as the centre of national company regional headquarters.

When Jiangbeizui is fully developed, the two major areas with quality office developments in Chongqing will be Jiefangbei CBD and Jiangbeizui.

The differential positioning between Jiefangbei CBD and Jiangbeizui will create a complementary and non-competitive dynamic between two districts.

Figure 3.1 Map of the office market in Chongqing



3.2 Grade A Offices in Chongqing

According to the standard definition of Savills' and other first–tier cities' common standard, only single ownership properties which meet certain international standards could be considered as Grade A offices. However, in Chongqing, the only established and prominent office development that meets this criteria is Metropolitan Plaza. As such, we have included other strata-titled quality office development in this study for demonstration of the entire Chongqing office market landscape.

Other than Metropolitan Plaza which commenced operation in 1998, HNA Poly International, another Grade A office development, came into the market this year. HNA Poly International is also situated in Jiefangbei CBD. As these single-owner properties are often more renowned for efficient and high-quality building management and maintenance, they are more attractive to big multinational corporations, consulates and financial institution tenants.

3.3 Quality offices precedent transactions in Chongqing

Figure below summarizes a few selected recent transactions of en-block quality offices in Chongqing.

Figure 3.2 Selected precedent transactions of en-block offices in Chongqing

	Project name	Location	Developer	Buyer	GFA (sq. m.)	Price (RMB in billions)	Price (RMB per sq. m.)
1	Corporate Avenue T2	Hualongqiao	Shui-on	Sunshine Insurance	116,000	2.4	20,690
2	Corporate Avenue T3	Hualongqiao	Shui-on	Ping'an Insurance	41,401	0.69	16,666
3	Corporate Avenue T4	Hualongqiao	Shui-on	Ping'an Insurance	28,375	0.52	18,326
4	Corporate Avenue T5	Hualongqiao	Shui-on	Ping'an Insurance	28,674	0.53	18,484
5	Sincere SFC	Jiefangbei CBD	Sincere Real Estate	Ping'an Insurance	62,000	1.24	20,000

3.4 Overview of quality offices in Jiefangbei CBD

As of 2Q/2014, there are eight quality office developments in Jiefangbei CBD, with a total stock of 452,700 sq.m. (62% of the total stock of existing Chongqing quality offices). Of these, only Metropolitan Plaza and HNA POLY International are of single asset title ownership, and so are considered as Grade A office developments.

Figure 3.3 Map of quality offices in Jiefangbei CBD (Q2/2014)

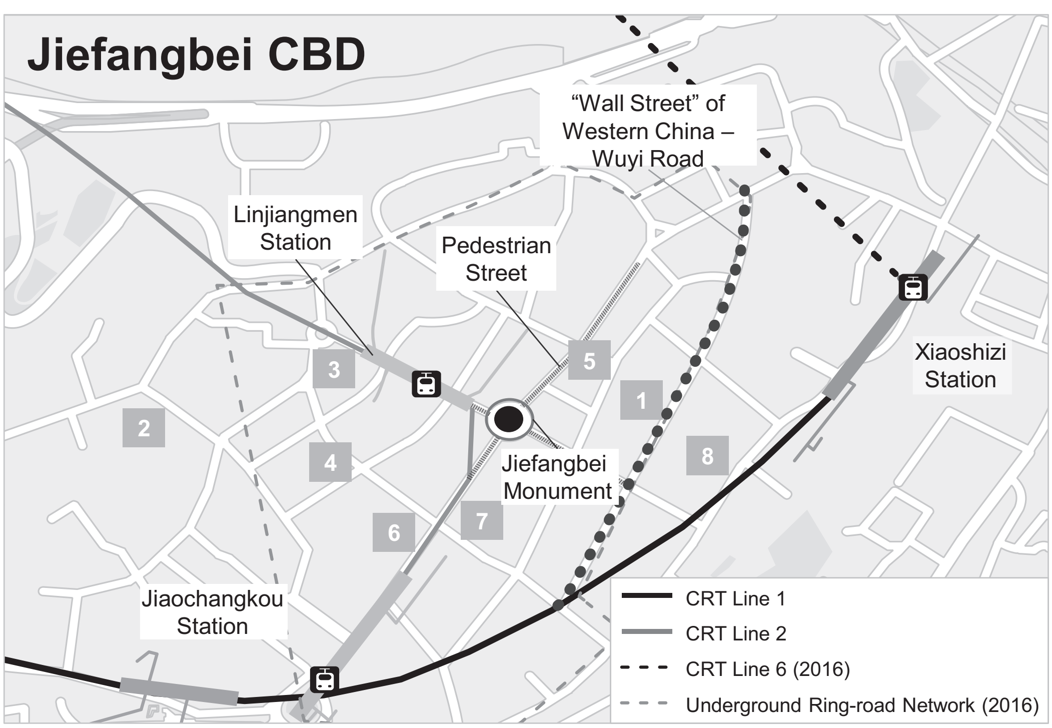


Figure 3.4 Table of quality offices in Jiefangbei CBD (Q2/2014)

	Properties	Year entered	Supply (sq. m)	Occupancy Rate	Leasing Type*
	Single Title Assets				
1	Metropolitan Plaza	1998	54,617	95%	L
2	HNA Poly International	2014	56,898	13%	L
	Strata Title Assets				
3	World Trade Centre	2004	70,000	69%	L&S
4	International Trade Centre	2005	46,300	83%	L&S
5	New York. New York	2004	42,000	84%	L&S
6	Yingli IFC	2012	90,000	66%	L&S
7	Xinhua International	2011	39,909	79%	L&S
8	Westin International	2014	48,466	14%	L&S

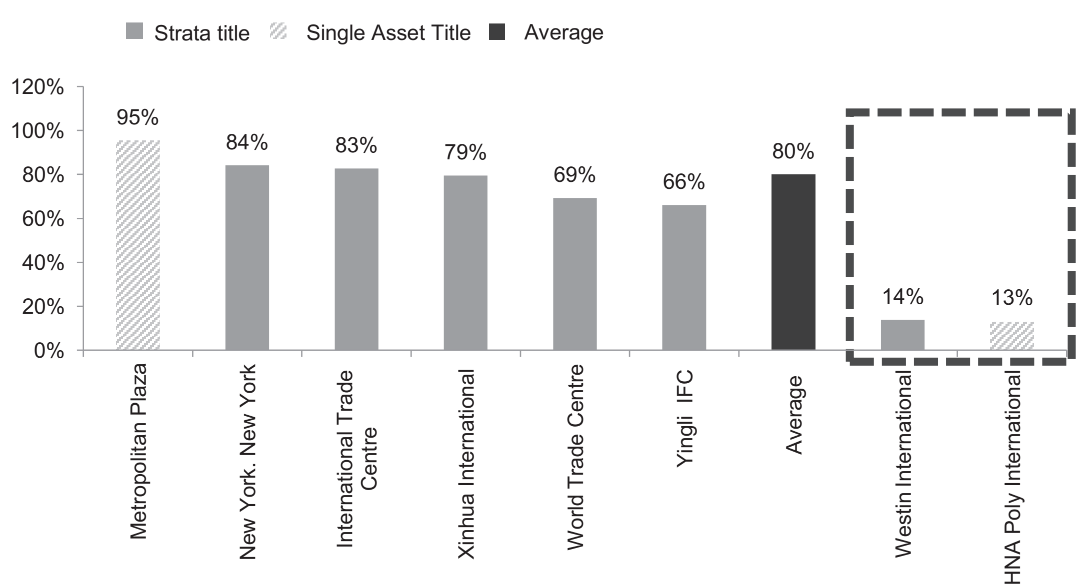
**Note: Leasing type: L = Lease; S = Lease and Sale*

Source: Savills Research

3.5 Occupancy rate

The occupancy rate in Jiefangbei CBD stands at 80% in Q2/2014. *(In the Chongqing office market, new projects normally take about two years to mature; as such Westin and HNA/Poly International, which entered the market in 2014, are excluded from the occupancy rate calculation.)*

Figure 3.5 Occupancy rates of quality offices in Jiefangbei CBD (Q2/2014)



Source: Savills Research

3.6 Rental rate and cap rate

The rental rate of Jiefangbei CBD is one of the highest in Chongqing, and the gross cap rate in Jiefangbei CBD ranges from approximately 5% – 7.5%.

Figure 3.6 Rental rate of quality offices in Jiefangbei CBD

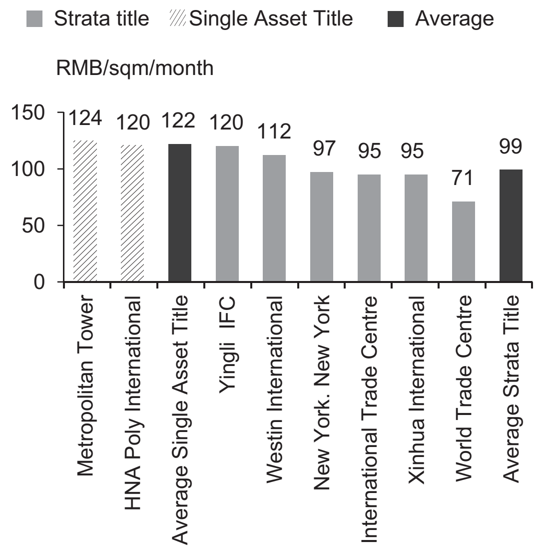
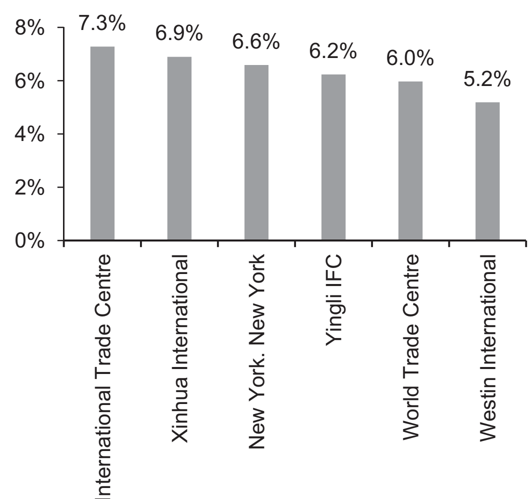


Figure 3.7 Gross cap rate of quality offices in Jiefangbei CBD*



** Note: Gross cap rate calculated based on asking price of strata title office units and asking rental rate. Not applicable for Metropolitan Plaza (single asset title and no strata unit for sale)*

Source: Savills Research

Metropolitan Plaza's office tower has the highest rental rate amongst all properties, driven by the quality of overall property construction and the reputation resulting from years of quality management.

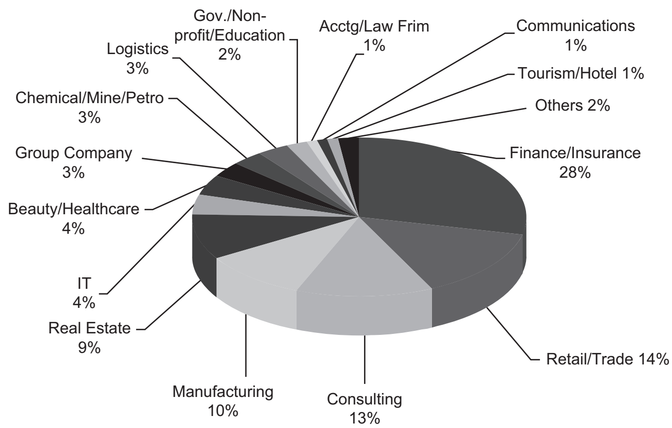
In addition to Metropolitan Plaza's commanding high rental rates, those of newcomers such as Yingli and HNA Poly International also stand very firm.

3.7 Tenants

Jiefangbei CBD contains the highest number of sino-foreign joint ventures and foreign enterprises. 58 Fortune 500 companies have set up offices in Jiefangbei CBD. This represents 54% of such companies in Chongqing.

In addition, a large number of companies have set up headquarters or regional headquarters in Jiefangbei CBD. Out of the existing 118 corporate headquarters in Chongqing, 59 are located at Jiefangbei CBD. 5 out of 10 consulates in Chongqing are also situated in Jiefangbei CBD and all of them are located at Metropolitan Plaza, namely, British Consulate-General Chongqing, Canadian Consulate General, Royal Danish Consulate General in Chongqing, Consulate-General of Japan and Philippine Consulate-General.

Figure 3.8 Number of tenants by industry sector in Jiefangbei CBD (1H/2014)



Source: Savills Research

In terms of industry sector, finance/insurance outranks other industries in space take-up, accounting for 28% of quality office space in Jiefangbei CBD.

Second in the league is the retail/trade industry, which takes up 14% of the office space; followed by consulting firms (13%), manufacturing companies (10%) and real estate (9%).

These five sectors take up almost three-quarters of the Jiefangbei CBD quality office space.

3.8 Office market dynamics in Jiefangbei CBD

Figure 3.9 Summary of key quality offices in Jiefangbei CBD

	Properties	Year entered	Supply (sq. m.)	Developer	Rents (RMB /sq. m. / month)	Leasing type*	Occupancy rate	% of international tenants
	Single Asset Title							
1	Metropolitan Plaza	1998	54,617	Hutchison Whampoa	124	L	95%	65%
2	HNA Poly International	2014	56,898	Poly Real Estate Group	120	L	14%	26%
	Strata Title							
3	Yingli IFC	2011	90,000	Yingli Group	120	L&S	66%	18%
4	Westin International	2014	48,466	Fore base Group	112	L&S	14%	9%
5	International Trade Center	2005	46,300	Jufu Real Estate	95	L&S	83%	52%

**Note: Leasing type: L = Lease; S = Lease and Sale*

Source: Savills Research

In the Jiefangbei CBD, Metropolitan Plaza's office tower holds the record for the highest occupancy rate. Over the years, it has maintained a consistently high occupancy rate of over 90%. Metropolitan Plaza's occupancy rate has never been affected by new market supplies as the majority of the new developments are strata-titled ones. It also has the highest proportion of international corporation tenants.

Apart from Metropolitan Plaza, HNA/POLY International is currently the only other single asset title Grade A office project in Jiefangbei CBD. It is developed by POLY Real Estate. It has a similar GFA and rental rate to Metropolitan Plaza. However, given that it only entered the market in Q1/2014, the current occupancy rate is relatively low. Given that HNA POLY International is situated in the far west of Jiefangbei CBD, it is slightly isolated from the core Jiefangbei CBD commercial activities. As the smallest unit in HNA POLY International is 290 sq.m., it has limitation in its appeal to tenants who require smaller floor space.

Other quality offices in Jiefangbei CBD are all strata title ones. For office buildings with strata-title owners, property management is typically more challenging and control over tenant profiles more limited. For example, it is not uncommon for tenants including yoga shops, tutor schools and jewelry stores to be situated inside strata-title office buildings. These tenants bring in foot traffic that some commercial corporate tenants may not desire. Key strata-title office projects in Jiefangbei CBD include Yingli IFC, Westin International and International Trade Centre (ITC). Yingli IFC has the largest GFA in the area. It achieved the second highest rental rate in Jiefangbei CBD. Westin International is located on Wuyi Road, just across from Metropolitan Plaza. It is one of the key projects designated within the Government's 'Wall Street' plan. It has the advantage of having a five-star hotel (Westin) within the building. The office portion only entered the market in April 2014 and hence the current occupancy rate is low. International Trade Centre (ITC) performed quite well; 52% of their tenants are international corporations.

3.9 Market Outlook

The Jiefangbei CBD area is designated by the Chongqing Government as the future "Wall Street" of Western China. With new retail and office developments, and the enhancement of the area's infrastructure, transportation network and overall environment, the Jiefangbei CBD's premier status is poised to be further strengthened. Jiefangbei CBD is expected to maintain its status as the most important commercial centre in Chongqing. The development of the "Wall Street" of Western China will also extend the core business activities within Jiefangbei CBD towards Wuyi Road, where Metropolitan Plaza is located, further enhancing the business environment and driving greater foot traffic in that vicinity.

As all future supply will be strata title ones, Metropolitan Plaza's office tower is expected to continue to have a competitive edge in the market.

Section 4 Project Outlook

4.1 Project Outlook

Metropolitan Plaza is a well-established development located in the centre of Jiefangbei CBD, Chongqing's most important business centre. Jiefangbei features a pedestrian street around the Jiefangbei Monument, currently called Jiefangbei Pedestrian Street. Jiefangbei Pedestrian Street area is today home to some of interior China's most popular and established shopping malls, including the Metropolitan Plaza. Additionally, it is a tourist landmark within Chongqing. It has approximately 300,000 visitations per day during weekdays and over 1 million visitations per day during holidays on average.

Metropolitan Plaza has high accessibility, including close proximity to three key CRT stations (Linjiangmen Station (臨江門站), Jiaochangkou Station (較場口站) and Xiaoshizi Station (小什字站) to provide access to Line 1 and Line 2 of the CRT. In addition, the upcoming Line 6 and Line 10 of CRT will have stations in close proximity to Metropolitan Plaza. Line 6 and phase 1 of Line 10 are expected to be operational by 2016 and 2017 respectively, further increasing the Jiefangbei CBD's connectivity. An underground ring-road network connecting important properties in Jeifangbei CBD is also being built to alleviate traffic congestion. This network is expected to be in operation in 2016.

The Jiefangbei CBD area is designated by the Chongqing Government as the future "Wall Street" of Western China. With new retail and office developments, and the enhancement of the area's infrastructure, transportation network and overall environment, the Jiefangbei CDB's premier status is poised to be further strengthened. Jiefangbei CBD is expected to maintain its status as the most important commercial centre in Chongqing. This new development will also extend the core business activities within Jiefangbei CBD towards Wuyi Road, where Metropolitan Plaza is located, further enhancing the business environment and driving greater foot traffic. With a façade of almost 100 meters long on Wuyi Road, Metropolitan Plaza stands to gain from the Wuyi Road development.

Metropolitan Plaza is one of the most established and popular shopping malls in Chongqing. It has wide recognition amongst the local population, and has the largest GFA amongst all the shopping malls in the core Jiefangbei CBD. The scale is a meaningful advantage as it enables Metropolitan Plaza to create a one-stop shopping experience to customers. It also provides flexibility for optimization of use for the retail space and amenity areas. Metropolitan Plaza features a department store, a diverse range of international and domestic brands, a food court, a variety of restaurants and leisure amenities including a cinema and an ice-skating rink. With its competitive and comprehensive offering that caters to local population and visitor sensibilities, it is well-positioned to capture visitation and extend customer time spent within the mall. The differentiated positioning of Metropolitan Plaza from other nearby shopping malls also allows it to effectively capture a diverse catchment of customers. These characteristics would help Metropolitan Plaza to continue to be the leading shopping mall in the area.

Metropolitan Plaza's office tower is one of only two Grade A offices in the Jiefangbei CBD, and one of only two Grade A offices which are actively carrying out leasing activities in Chongqing. Single asset title ownership is a key competitive advantage as it is synonymous with efficient and high-quality building management and maintenance. Metropolitan Plaza's office tower is well-positioned to continue to attract multinational corporations and financial institution tenants who value landlord's brand name, building management quality and efficient floor plans.

Metropolitan Plaza's close location to a number of international hotels, namely Harbour Plaza Chongqing, Westin Chongqing Liberation Square and InterContinental Chongqing Hotel, is another draw for office tenants who appreciate proximity to five-star hotel accommodation, meeting, F&B and banqueting facilities. Retail tenants could also reap benefit from the foot traffic and the purchasing power brought on by these well-recognized hotels.

In conclusion, Metropolitan Plaza is strongly positioned to maintain its status as one of the best shopping malls and one of the best Grade A offices in Chongqing, as it possesses very strong competitive and defensive characteristics – strategic location, strong tenant base, good property management track record, high occupancy rate and rental rate as well as good landlord brand reputation.

1. RESPONSIBILITY STATEMENT

For the purposes of paragraphs 5.2A and 10.10(t) of the REIT Code, the REIT Manager and the Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement in this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Holdings of the REIT Manager, the Directors or Chief Executive of the REIT Manager

The REIT Code requires that connected persons of the Hui Xian REIT shall disclose their interests in Units. In addition, under the Trust Deed, the provisions of Part XV of the SFO (other than sections 328 and 351) and all relevant guidelines and interpretation notes thereon are also deemed to be applicable, among other things, to the REIT Manager, the Directors and the chief executive of the REIT Manager.

As at the Latest Practicable Date, the interests and short position in Units of the REIT Manager, the Directors or chief executive of the REIT Manager as recorded in the register required to be kept by the REIT Manager under Clause 30.3.1 of the Trust Deed, were as follows:

Name	Number of Units interested as Total	Approximate % of Units as at the Latest Practicable Date[2]
Hui Xian Asset Management Limited	14,847,021	0.280
KAM Hing Lam[1]	699,760	0.013
IP Tak Chuen, Edmond	400,000	0.008
CHEUNG Ling Fung, Tom	59,242	0.001
TONG BARNES Wai Che, Wendy	112,856	0.002
HUI Tung Keung, Tommy	56,111	0.001

1. These Units were held by Mr. KAM Hing Lam, chairman and non-executive director of the Manager, as a bare trustee and this is a voluntary disclosure made by Mr. KAM.

2. Based on the total number of Units in issue as at the Latest Practicable Date of 5,297,591,509 Units.

Other than the above, none of the REIT Manager, the Directors or the chief executive of the REIT Manager was beneficially interested (or deemed to be interested) in Units or held any short position in Units at the Latest Practicable Date as recorded in the register required to be kept by the REIT Manager under Clause 30.3.1 of the Trust Deed.

(b) Holdings of Substantial Unitholders

As at the Latest Practicable Date, the following persons or corporations (other than the REIT Manager, the Directors or the chief executive of the REIT Manager) had interests and short position in Units, or were, directly or indirectly, interested in 5% or more of the total outstanding Units, as recorded in the register required to be kept by the REIT Manager under Clause 30.3.1 of the Trust Deed and based on further information provided by them:

Name	No. of Units held as at the Latest Practicable Date	Percentage of Units held as at the Latest Practicable Date[1]
Hui Xian (Cayman Islands) Limited[2]	1,500,000,000	28.31%
Subsidiaries of Cheung Kong (Holdings) Limited[3]	649,787,751	12.27%
Subsidiary of Hutchison Whampoa Limited[4]	299,784,620	5.66%
Subsidiaries of China Life Insurance (Group) Company[5]	536,557,000	10.13%

Notes:

1. Based on the total number of Units in issue as at the Latest Practicable Date of 5,297,591,509 Units.

2. Hui Xian (Cayman Islands) Limited ("**Hui Xian Cayman**") was a wholly-owned subsidiary of Hui Xian Holdings Limited ("**Hui Xian Holdings**") and a significant holder within the meaning of the REIT Code as at the Latest Practicable Date. Hui Xian Holdings no longer held any Units in Hui Xian REIT since May 2014 (but see its deemed interest under the SFO in note 3(i) below).

3. The subsidiaries being Noblecrown Investment Limited ("**Noblecrown**") (holding 556,742,864 Units as at the Latest Practicable Date), Wisdom Ally Limited ("**Wisdom Ally**") (holding 82,468,924 Units as at the Latest Practicable Date) and Wealth Finder Limited ("**Wealth Finder**") (holding 10,575,963 Units as at the Latest Practicable Date), all being wholly-owned subsidiaries of Cheung Kong and each of them was an associated company of Hui Xian Holdings and Hui Xian Cayman.

   Separately, by virtue of the deemed application of Part XV of the SFO and based on information available to the REIT Manager as at the Latest Practicable Date:

   (i) Hui Xian Holdings was taken to be interested in the Units held by Hui Xian Cayman and Noblecrown was taken to be interested in the Units that Hui Xian Holdings was interested in, as Hui Xian Holdings was entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of Hui Xian Cayman while Noblecrown was entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of Hui Xian Holdings;

   (ii) each of Cheung Kong and the intermediate holding companies through which Cheung Kong was interested in the share capital of Noblecrown (namely, Cheung Kong (China Property Development) Limited, Cheung Kong China Property Limited, Cheung Kong (China Property) Limited, Cheung Kong Holdings (China) Limited and Cheung Kong Investment Company Limited) was taken to have an interest in the Units that Noblecrown was interested in;

   (iii) Cheung Kong Investment Company Limited, of which Wisdom Ally and Wealth Finder were indirect wholly-owned subsidiaries, was taken to have an interest in the Units held by Wisdom Ally and Wealth Finder respectively;

   (iv) Cheung Kong, in view of its interest in the above intermediate holding companies through which Noblecrown was held, in Wisdom Ally, in Wealth Finder and in HWL, was taken to have an interest in the Units held by Noblecrown, Wisdom Ally, Wealth Finder and HWL (HWL's interests were held through Heathcliff Developments Limited as disclosed in note 4 below); and

   (v) each of Mr. LI Ka-shing, Li Ka-Shing Unity Holdings Limited, Li Ka-Shing Unity Trustee Company Limited, Li Ka-Shing Unity Trustee Corporation Limited and Li Ka-Shing Unity Trustcorp Limited was also taken to have an interest in the same Units in which Cheung Kong was interested in.

4. The subsidiary being Heathcliff Developments Limited, an associated company of Hui Xian Holdings and Hui Xian Cayman.

5. The subsidiaries being Po Lian Enterprises Limited and China Life Insurance (Overseas) Co. Ltd, each of them was an associated company of Hui Xian Holdings and Hui Xian Cayman.

6. The terms associated company, connected person, controlling entity, holding company and significant holder are as defined in the REIT Code or the SFO.

3. DIRECTOR'S INTERESTS IN ASSETS AND IN COMPETING BUSINESSES

Mr. Cheng Hoi Chuen, Vincent, an independent non-executive Director, is also an independent non-executive director of HWL, and both Mr. Kam Hing Lam and Mr. Ip Tak Chuen, Edmond are executive directors of Cheung Kong. The principal activities of the Cheung Kong Group are property development and investment, hotel and serviced suite operation, property and project management, and investment in infrastructure business, and HWL and its subsidiaries operates and invests in six core businesses: ports and related services, property and hotels, retail, infrastructure, energy, and telecommunications, which may compete, either directly or indirectly, with the business of Hui Xian REIT.

Save as disclosed in this circular,

(a) at the Latest Practicable Date, none of the Directors nor any of their respective associates had any interests in a business which competed or was likely to compete, either directly or indirectly, with the business of the Hui Xian REIT Group;

(b) none of the Directors had any direct or indirect interest in any assets which have been, since, 31 December 2013, being the date to which the latest published audited accounts of Hui Xian REIT were made up, and up to the Latest Practicable Date, acquired or disposed of by or leased to Hui Xian REIT, or were proposed to be acquired or disposed of by or leased to Hui Xian REIT.

4. LITIGATION

As at the Latest Practicable Date, there was no material litigation pending or threatened against the Trustee (in its capacity as the trustee of Hui Xian REIT), the REIT Manager (in its capacity as manager of Hui Xian REIT), any of the Special Purpose Vehicles or any Target Group Companies, and there was no material litigation to which Hui Xian REIT is, or may become, a party.

5. STATEMENT IN RELATION TO FINANCIAL AND TRADING POSITION

The REIT Manager confirms that there had been no known material change in the financial or trading position of the Hui Xian REIT since 31 December 2013, being the date that the latest published audited accounts of Hui Xian REIT were made up, up to and including the Latest Practicable Date.

6. EXPERTS

The following are the qualifications of the experts who have provided their respective opinions or advice, which are contained in this circular:

Name	Qualification
Somerley Capital Limited	a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Knight Frank Petty Limited	Qualified Valuers
Deloitte Touche Tohmatsu	Certified Public Accountants
PricewaterhouseCoopers	Certified Public Accountants
Savills Property Services (Chengdu) Limited Chongqing Branch	Market Consultant
Jincheng Tongda & Neal	PRC legal advisers

Each of Somerley Capital Limited, Knight Frank Petty Limited, Deloitte Touche Tohmatsu, PricewaterhouseCoopers, Savills Property Services (Chengdu) Limited Chongqing Branch and Jincheng Tongda & Neal has given and has not withdrawn their written consents to the issue of this circular with the inclusion therein of their letters or reports and references to their respective names and letters or reports in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of Somerley Capital Limited, Knight Frank Petty Limited, Deloitte Touche Tohmatsu, PricewaterhouseCoopers, Savills Property Services (Chengdu) Limited Chongqing Branch and Jincheng Tongda & Neal did not have any unitholding whether directly or indirectly in Hui Xian REIT or shareholding in any of the Special Purpose Vehicles or the Target Company or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for any Units or securities in any of the Special Purpose Vehicles or the Target Company.

As at the Latest Practicable Date, each of Somerley Capital Limited, Knight Frank Petty Limited, Deloitte Touche Tohmatsu, PricewaterhouseCoopers, Savills Property Services (Chengdu) Limited Chongqing Branch and Jincheng Tongda & Neal did not have any direct or indirect interest in any assets which have been, since 31 December 2013, being the date to which the latest published audited financial statements of Hui Xian REIT were made up, acquired or disposed of by or leased to or were proposed to be acquired or disposed of by or leased to Hui Xian REIT.

Hui Xian Real Estate Investment Trust

(a Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong))
(Stock Code: 87001)

Managed by Hui Xian Asset Management Limited
滙賢房託管理有限公司

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting (the "**EGM**") of the unitholders (the "**Unitholders**") of Hui Xian Real Estate Investment Trust ("**Hui Xian REIT**") will be held at Grand Ballroom, 3/F, Sheraton Hong Kong Hotel & Towers, 20 Nathan Road, Kowloon, Hong Kong on Friday, 28 November 2014 at 12:00 noon for considering and, if thought fit, passing, with or without modification, the following resolutions as ordinary resolutions:

ORDINARY RESOLUTIONS

(1) "**THAT**:

(a) the Acquisition (as defined and described in the circular of Hui Xian REIT dated 10 November 2014 (the "**Circular**")), the Sale and Purchase Agreement, the Transaction Documents (each as defined and described in the Circular, a copy of the Circular marked "A" together with a copy of the Sale and Purchase Agreement marked "B" are tabled before the meeting and initialed by the chairman of the meeting for identification purpose) and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;

(b) the Cheung Kong Annual Cap Revision, the Manager Annual Cap Revision and the Manager Leasing Annual Cap Revision (each as defined and described in the Circular) be and are hereby approved; and

(c) (1) Hui Xian Asset Management Limited (滙賢房託管理有限公司) as manager of Hui Xian REIT (the "**REIT Manager**"), (2) DB Trustees (Hong Kong) Limited as trustee of Hui Xian REIT (the "**Trustee**") and (3) any director of the REIT Manager each be and is hereby authorised to do or procure to be done all such acts and things (including executing all such documents as may be required) as the REIT Manager, the Trustee or such director of the REIT Manager (as the case may be) may consider desirable, expedient, necessary or in the interest of Hui Xian REIT to implement or give effect to the matters resolved upon in paragraph (a) above."

(2) "**THAT:**

(a) the election by the REIT Manager to receive the Manager's Acquisition Fee in the form of new units in Hui Xian REIT to be issued to it in accordance with the Trust Deed (as defined in the Circular) be and is hereby approved; and

(b) (1) the REIT Manager, (2) the Trustee and (3) any director of the REIT Manager each be and is hereby authorised to do or procure to be done all such acts and things (including executing all such documents as may be required) as the REIT Manager, the Trustee or such director of the REIT Manager (as the case may be) may consider desirable, expedient, necessary or in the interest of Hui Xian REIT to implement or give effect to the matters resolved upon in paragraph (a) above."

By order of the Board
Hui Xian Asset Management Limited
滙賢房託管理有限公司
(as Manager of Hui Xian Real Estate Investment Trust)
Kam Hing Lam
Chairman of the Manager

Hong Kong, 10 November 2014

Notes:

1. Unless other defined in this notice or the context requires otherwise, terms defined in the circular of Hui Xian REIT dated 10 November 2014 to the Unitholders shall have the same meanings when used in this notice.

2. A Unitholder entitled to attend and vote at the EGM (or at any adjournment thereof) is entitled to appoint a proxy to attend in its/his/her stead. Any Unitholder being a corporation may by resolution of its directors (or other governing body) authorise any person to act as its representative at any meeting of Unitholders and a person so authorised shall at such meeting be entitled to exercise the same powers on behalf of the corporation as the corporation could exercise if it were an individual Unitholder. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal, or under the hand of an officer or attorney duly authorised. The person appointed to act as proxy or corporate representative need not be a Unitholder.

3. In order to be valid, an instrument of proxy, together with any power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power of attorney or authority, must be deposited at Hui Xian REIT's Unit Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Delivery of an instrument appointing a proxy shall not preclude you from attending and voting at the meeting or any adjourned meeting (as the case may be) and, in such event, the instrument appointing the proxy shall be deemed to be revoked.

4. Where there are joint registered Unitholders of a Unit, the vote of the senior who tenders a vote (whether in person or by proxy) shall be accepted to the exclusion of the votes of the other joint registered Unitholders and for this purpose, seniority shall be determined by the order in which the name stands in the Register of Unitholders in respect of such Unit.

5. For the purpose of determining which Unitholders are entitled to attend and vote at the EGM of Hui Xian REIT to be held on 28 November 2014, the Register of Unitholders of Hui Xian REIT will be closed from 25 November 2014 (Tuesday) to 28 November 2014 (Friday), both days inclusive, during which period no transfer of Units will be effected. In order to qualify for attending and voting at the EGM, all unit certificates with completed transfer forms must be lodged with Hui Xian REIT's Unit Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 24 November 2014 (Monday).

6. The voting of the above ordinary resolutions at the EGM will be taken by way of poll. On a poll votes may be given either personally or by proxy and every Unitholder who is present in person, by corporate representative or by proxy shall have one vote for every Unit of which he is the Unitholder.

As at the date of this notice, the board of directors of the REIT Manager are Mr. Kam Hing Lam (Chairman and non-executive Director); Mr. Cheung Ling Fung, Tom and Mr. Lee Chi Kin, Casey (executive Directors); Mr. Ip Tak Chuen, Edmond, Mr. Lim Hwee Chiang and Mr. Yin Ke (with Mr. Pang Shuen Wai, Nichols being his alternate director)(non-executive Directors); and Mr. Cheng Hoi Chuen, Vincent, Professor Lee Chack Fan and Dr. Choi Koon Shum, Jonathan (independent non-executive Directors).